

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: 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.

DOCKET NO. 20240068-WS
ORDER NO. PSC-2025-0042-PHO-WS
ISSUED: February 6, 2025

PREHEARING ORDER

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on January 23, 2025, in Tallahassee, Florida, before Commissioner Andrew Giles Fay, as Prehearing Officer.

APPEARANCES:

MARTIN S. FRIEDMAN and JOHN L. WHARTON, ESQUIRES, Dean Mead Law Firm, 420 South Orange Avenue, Suite 700, Orlando, Florida 32801
On behalf of Sunshine Water Services Company (Sunshine).

WALT TRIERWEILER, CHARLES J. REHWINKEL, OCTAVIO SIMOES-PONCE and AUSTIN WATROUS, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Suite 812, Tallahassee, Florida 322399-1400
On behalf of Office of Public Counsel (OPC).

RYAN SANDY and SAAD FAROOQI, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Advisor to the Florida Public Service Commission.

KEITH C. HETRICK, ESQUIRE, General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Florida Public Service Commission General Counsel.

I. CASE BACKGROUND

Sunshine Water Services Company (Sunshine or Utility) is a Class A Utility that operates 27 water and wastewater facilities in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties. On April 19, 2024, Sunshine filed a letter, requesting approval of a historic test year ending on December 31, 2023, for purposes of establishing final rates. Sunshine's test year request was approved on May 6, 2024, for the purposes of filing a rate increase petition and Minimum Filing Requirement (MFRs). Sunshine filed its petition and MFRs on June 28, 2024.

The Office of Public Counsel (OPC) first intervened in this docket on April 23, 2024, but withdrew its intervention on May 7, 2024. On September 19, 2024, OPC filed its second Notice of Intervention, which was acknowledged by Order No. PSC-2024-0435-PCO-WS on September 25, 2024. Also on September 19, 2024, OPC filed an Expedited Motion for Modification of the Order Establishing Procedure (Motion) requesting an extension of time to file testimony and conduct discovery, which was granted in part on October 2, 2024, by the First Order modifying the order establishing procedure, Order No. PSC-2024-0437-PCO-WS.

This proceeding has been scheduled for an administrative hearing beginning on February 11, 2025. February 12-13, 2025 are reserved for continuation of the hearing if needed.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 367, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters 25-30, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 367.156, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of this proceeding, it shall be

returned to the person providing the information within the time period set forth in Section 367.156, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 367.156, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 367.156, F.S., at the hearing shall adhere to the following:

- (1) When confidential information is used in the hearing that has not been filed as prefiled testimony or prefiled exhibits, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to seven (7) minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her

answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness' direct testimony is adverse to its interests.

VI. ORDER OF WITNESSES

Each witness, whether participating or excused, and their prefiled exhibits, will be taken up in the following order:

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Shawn M. Elicegui*	Sunshine	42
Deborah D. Swain	Sunshine	3-7, 13-26, 30, 37, 43
Dante M. DeStefano	Sunshine	3-5, 20-21, 25-28, 30, 38-41
Frank Seidman	Sunshine	6-12
Seán Twomey	Sunshine	1, 2, 4
Ralph Smith	OPC	3-5, 13, 16-24, 26-33, 37, 39
Angela L. Calhoun	Staff	1-2
Curt Mouring	Staff	As Needed
<u>Rebuttal</u>		
Shawn M. Elicegui*	Sunshine	42
Deborah D. Swain	Sunshine	3-7, 13-26, 37, 43

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Dante M. DeStefano	Sunshine	3-5, 20-21, 25-28, 30, 38-41
Seán Twomey	Sunshine	1, 2, 4

*Mr. Elicegui is adopting the prefiled testimony of Steven M. Lubertozzi and all sponsored discovery responses except Staff ROG set 11, nos. 134-136 and OPC ROG set 6, no. 117, which are adopted by Mr. DeStefano.

VII. BASIC POSITIONS

SUNSHINE: In order to allow SWS recover its reasonable and prudent expenses and to have an opportunity to earn a reasonable return on its property used and useful in the public service, it is entitled to annual water operating revenues in the amount of \$28,013,305 and annual wastewater operating revenues in the amount of \$34,299,872. However, SWS proposes the water rate increase be limited so that it does not result in more than a 19.9% increase.

OPC: In this case, Sunshine Water Services Company (“Sunshine”) seeks to continue a trend that it started since it was granted consolidation in 2017: to prioritize growing its rate base while shirking its responsibilities to its customers by failing to address the crumbling infrastructure of its wastewater systems and by failing to improve water quality and customer service. At the outset of its own case, the company described the almost \$40 million in improvements needed by its diminished Mid-County and Lake Groves systems. Since then, the Company has opted to drop these higher-priority projects while instead opting to retain its low-priority \$20 million AMI Meter Installation Project, a project that is unnecessary and fails to address much-needed improvements to provide safe and reliable service. Meanwhile, as described in testimony from its customers and continuing from findings in its last rate case, Sunshine continues to provide substandard quality of service while encountering compliance issues with the Florida Department of Environmental Protection.

The burden of proof in a Commission proceeding is always on a utility seeking a rate change and any other parties seeking to change established rates. *Fla. Power Corp. v. Cresse*, 413 So.2d 1187, 1191 (Fla. 1982). Sunshine has the burden to prove that every aspect of their requested rate increase is appropriate. Accordingly, the Commission may only approve the parts of Sunshine’s rate request which are just, reasonable, compensatory, and not unfairly discriminatory.

The Commission has a chance in this case to remind Sunshine that it was granted a monopoly not to grow its rate base, but to provide safe and reliable service to its customers. Sunshine’s request grossly overstates the revenue requirement needed

to provide safe and reliable service and therefore should be rejected. OPC expert Ralph Smith has demonstrated that any increase should be limited to no more than \$1,351,181 for water and \$3,283,467 for wastewater. While any increase in an environment in which electric and gas base rates and hurricane cost surcharges are making utility services increasingly unaffordable for many customers, the Commission should limit any award to the maximum amount shown in Mr. Smith's testimony to keep from the company from growing rate base at its customers' expense.

As mentioned above, Sunshine is attempting to accomplish the unthinkable by requesting water and wastewater rate increases that are simultaneously bloated and deficient. The proposed rates are excessive if for no reason other than the proposed inclusion of a massive AMI meter installation project that is completely unrelated to the Utility's mission to provide safe and reliable service. Other asks are simply piling on and a significant portion of the request is further unsubstantiated by evidence or law. At the same time, the increases are deficient in that they fail to address the issues experienced by the Utility's Mid-County system, issues such as disgusting smelling water and peak flow events during wet weather conditions.

The Utility's desire to grow its rate base while ignoring its significant quality of service issues and needed replacements to critical system infrastructure sets Sunshine's customers up to potentially experience additional rate shock when Sunshine inevitably returns to the Commission hat in hand to address these pressing problems as soon as the ink is dry on this rate case order. The Commission must keep these issues in mind when evaluating Sunshine's application along with the Utility's continued service issues detailed below.

STAFF: Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

VIII. ISSUES AND POSITIONS

QUALITY OF SERVICE/INFRASTRUCTURE AND OPERATING CONDITIONS

ISSUE 1: Is the overall quality of service provided by the Utility satisfactory, and, if not, what systems have quality of service issues and what action should be taken by the Commission?

SUNSHINE: The quality of service is satisfactory for all systems. (Twomey)

OPC: No. At a minimum, the systems at Sanlando (Wekiva Hunt Club) and Mid-County have quality of service issues. The Commission should find these systems have marginal or unsatisfactory quality of service. As the Commission already deemed these systems unsatisfactory in the company's last rate case,¹ the Commission should reduce the leverage graph-determined return on equity for the Utility by 25 basis points which equates to total Company-revenue requirement impact of \$300,000.

STAFF: No position at this time.

ISSUE 1A: **Is the overall value to a customer provided by the Utility satisfactory, and, if not, what systems have value issues and what action should be taken by the Commission?**

SUNSHINE: The element of value is part of the quality of service evaluation, hence, "value and quality of service." If value was intended by the Legislature to be a separate concept, the phrase would have been "value, quality of service, and cost of providing service." Value, as OPC would like it to be evaluated, is a subjective concept, and further, there is no testimony in the record of this case supporting this concept or the criteria needed for its evaluation by the Commission.

OPC: No. Pursuant to Section 367.081(2)(a)1., F.S., the Commission shall consider the value of the service provided to customers. As customers have testified at the service hearings in this case, there are issues with the value of the Utility's customer service and other service matters provided by certain Utility systems. The Commission should consider measures for customers of specific systems related to the value of service provided to them.

STAFF: No position at this time.

ISSUE 2: **Are the infrastructure and operating conditions of the Utility's water and wastewater systems in compliance with Florida Department of Environmental Protection regulations?**

SUNSHINE: Yes, they are currently in compliance. (Twomey)

OPC: Sunshine has entered into at least two consent orders with the Florida Department of Environmental Protection post-2023 test year and has had other issues with the agency prior to then. While Sunshine may be in technical compliance with these latest orders, its trend of encounters with the Florida Department of

¹ Order No. PSC-2021-0206-FOF-WS page 20.

Environmental Protection continued from its last rate case is indicative of compliance problems.

STAFF: No position at this time.

RATE BASE

ISSUE 3: Should any adjustments be made to test year plant-in service balances?

SUNSHINE: Water - (\$18,428,130); Wastewater - \$18,428,130 to allocate common plant from water to wastewater; and Water - (\$29,570); Wastewater - (\$27,496) for audit adjustments to the test year land balances. (DeStefano & Swain)

OPC: Yes. The Commission should remove approximately \$20 million in utility plant-in service by rejecting the Utility's proposed AMI Meter Installation Project. This will also necessitate an approximately \$500,000 adjustment to increase rate base to account for reversing meter retirements.

STAFF: No position at this time.

ISSUE 4: Should any adjustments be made to the Utility's pro forma plant additions?

SUNSHINE: Yes, adjustments should be made to each pro forma plant addition where the expenditures differ from the amounts identified in the MFRs. (Twomey, DeStefano & Swain)

OPC: Yes. For the reasons stated in OPC Witness Smith's testimony, the Commission should reject the Utility's proposed AMI Meter Installation Project. Any related operating expenses should not be included. In addition, OPC objects to the approval of the Orangewood PFAS Remediation Project (ST-24) absent certain conditions. All other pro forma plant additions should be subject to the statutory criteria of being completed within 24 months of the historical test year. OPC's position on all other pro forma plant additions is subject to pending discovery responses.

STAFF: No position at this time.

ISSUE 4A: Should the Commission approve the Utility's Advanced Metering Infrastructure (AMI) project?

SUNSHINE: This is subsumed in Issue 4. If OPC stipulates to the other pro forma projects in Issue 4, then it may make sense to address this Issue separately.

OPC: No. This project has nothing to do with providing safe and reliable service and never should have replaced the identified top-tier infrastructure needs of this utility. The utility has further failed to meet its burden as described in OPC witness Smith's testimony.

STAFF: No position at this time.

ISSUE 5: What are the appropriate plant retirements to be made in this docket?

SUNSHINE: Water - \$2,317,753; Wastewater - \$1,964,052 (Swain, DeStefano).

OPC: This issue is effectively a fallout of AMI Meter Installation Project issue. Retirements should be adjusted to reflect the reversal of the assumed test year retirements of existing meters upon the rejection of the proposed uninstalled AMI meters.

STAFF: No position at this time.

ISSUE 6: Do any water systems have excessive unaccounted for water and, if so, what adjustments are necessary, if any?

SUNSHINE: Yes, as follows: Lake Placid, 9.3%; LUSI (Four Lakes), 11.2%; Golden Hills, 0.9%; Labrador, 3.3%; Summertree, 4.5%; Orangewood, 8.7%; Bear Lake, 5.3%; Little Wekiva, 1.4%. Adjustments should be made to purchased power, chemicals and purchased water as appropriate. (Swain, Seidman)

OPC: Yes. The following systems have excessive unaccounted for water: Labrador (3.3%), Lake Placid (9.3%), Orangewood (8.7%), Summertree (4.5%), Golden Hills (.9%), Little Wekiva (1.4%), Bear Lake (5.3%), and Four Lakes (11.2%). Adjustments to chemical, purchase power, and/or purchase water accounts may be necessary.

STAFF: No position at this time.

ISSUE 7: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what adjustments are necessary, if any?

SUNSHINE: Yes, as follows: Ravenna Park, 41.27%. Adjustments should be made to purchased power, chemicals and purchased wastewater as appropriate. (Swain, Seidman)

OPC: Yes. The Ravenna Park system has excessive infiltration and/or inflow of 41.27%. Adjustments to chemical, purchase power, and/or purchase wastewater accounts may be necessary.

STAFF: No position at this time.

ISSUE 8: **What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?**

SUNSHINE: All water treatment and related facilities are 100% used and useful. (Seidman)

OPC: 100% for each applicable system.

STAFF: No position at this time.

ISSUE 9: **What are the appropriate used and useful percentages for the water storage and related facilities of each water system?**

SUNSHINE: All water storage and related facilities are 100% used and useful (Seidman).

OPC: 100% for each applicable system.

STAFF: No position at this time.

ISSUE 10: **What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?**

SUNSHINE: All water distribution and related facilities are 100% used and useful. (Seidman)

OPC: 100% for each applicable system.

STAFF: No position at this time.

ISSUE 11: **What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?**

SUNSHINE: All wastewater treatment and related facilities are 100% used and useful except as follows: Crownwood, 74.78%. In Sandalhaven, the used and useful percentage of purchased capacity should be 42.24%, the force main, master lift station structure, and the pumping equipment should be 100%. (Seidman)

OPC: 74.78% for the Golden Hills/Crownwood system, 42.24% for the Sandalhaven system, and otherwise 100% for each remaining applicable system.

STAFF: No position at this time.

ISSUE 12: What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

SUNSHINE: All collection lines are 100% used and useful. (Seidman)

OPC: 100% for each applicable system.

STAFF: No position at this time.

ISSUE 13: Should any adjustments be made to test year accumulated depreciation?

SUNSHINE: Yes. Water - \$(10,321,881); Wastewater - \$8,977,332. (Swain)

OPC: Yes. Depreciation on test year plant should be at the 13-month average test year amounts, not on year-end annualized amounts. Otherwise, a mismatch is created. OPC's adjustment decreases water utility depreciation expense by at least \$187,796 and decreases wastewater utility depreciation expense by at least \$330,459 for the impact of test year annualization. Also, adjustments should be made for incorrect net salvage percentage-driven depreciation rates in violation of Rule 25-30.140, F.A.C. This issue also contains fallout from other issues.

STAFF: No position at this time.

ISSUE 14: Should any adjustments be made to test year CIAC balances?

SUNSHINE: No. (Swain)

OPC: Yes, pending the resolution of Audit Finding 4.

STAFF: No position at this time.

ISSUE 15: Should any adjustments be made to test year accumulated amortization of CIAC?

SUNSHINE: Yes. Water – (\$5,360); Wastewater – (\$2,845,039). (Swain)

OPC: Should the Commission authorize the Utility's annualized depreciation for test year plant additions, then adjustments are necessary for accumulated amortization of CIAC for CIAC received during the test year.

STAFF: No position at this time.

ISSUE 16: What is the appropriate working capital allowance?

SUNSHINE: Water - \$2,069,513; Wastewater - \$2,930,182. (Swain)

OPC: The appropriate working capital allowing for water is no more than \$1,808,256 and no more than \$2,545,757 for wastewater as shown on Exhibit RCS-2, Schedule B. Pending further review of rebuttal testimony and the resolution of other issues, the proposed working capital allowances water and wastewater are subject to change.

STAFF: No position at this time.

ISSUE 17: What is the appropriate rate base for the December 31, 2023 test year?

SUNSHINE: Water - \$85,564,097; Wastewater - \$104,950,629. (Swain)

OPC: The appropriate rate base for the December 31, 2023 test year for water is \$64,423,284, as shown in Exhibit RCS-2, Schedule B, Page 1 of 2. The appropriate rate base for the December 31, 2023 test year for wastewater is \$101,954,536, as shown on Exhibit RCS-2, Schedule B, Page 2 of 2. Pending further review of rebuttal testimony and the resolution of other issues, the proposed rate bases for water and wastewater are subject to change.

STAFF: No position at this time.

COST OF CAPITAL

ISSUE 18: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

SUNSHINE: \$5,829,204, plus \$4,969,273 in TCJA-related liability. (Swain)

OPC: Rule 25-30.433(4), F.A.C., states, in pertinent part, "[u]sed and useful debit deferred taxes shall be offset against used and useful credit deferred taxes in the capital structure. Any resulting net debit deferred taxes shall be included as a separate line item in the rate base calculation. Any resulting net credit deferred

taxes shall be included in the capital structure calculation.” The Company made non-used and useful adjustments to wastewater rate base and non-used and useful adjustments for depreciation expense and property taxes. However, the Company’s filing makes no adjustments to accumulated deferred taxes in order to reflect only used and useful deferred taxes in its capital structure. The appropriate amount of accumulated deferred taxes should be calculated in compliance with provision (4) of Rule 25-30.433, F.A.C.

STAFF: No position at this time.

ISSUE 19: **What is the appropriate amount of customer deposits to include in the capital structure?**

SUNSHINE: \$319,453. (Swain)

OPC: The appropriate amount of customer deposits to include in the capital structure is \$319,453 as reflected in Exhibit RCS-2, Schedule D.

STAFF: No position at this time.

ISSUE 20: **What is the appropriate cost rate for short-term debt for the test year?**

SUNSHINE: 8.25%. (Swain & DeStefano)

OPC: The appropriate cost rate for short-term debt is as reflected in Exhibit RCS-2, Schedule D.

STAFF: No position at this time.

ISSUE 21: **What is the appropriate cost rate for long-term debt for the test year?**

SUNSHINE: Fixed: 4.92%, Variable: 7.51%. (Swain & DeStefano)

OPC: The appropriate cost rate for long-term debt is as reflected in Exhibit RCS-2, Schedule D.

STAFF: No position at this time.

ISSUE 22: **What is the appropriate return on equity (ROE) for the test year?**

SUNSHINE: 10.36%. (Swain)

OPC: The appropriate ROE is 10.35%, representing a slight difference from the Utility's ROE of 10.36%. This issue should be reduced by 25 basis points for deficient service quality. See Issue 1.

STAFF: No position at this time.

ISSUE 23: **What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?**

SUNSHINE: 7.493%. (Swain)

OPC: The appropriate weighted average cost of capital is as reflected in Exhibit RCS-2, Schedule D. Pending the resolution of other issues (including issue 1), the weighted average cost of capital is subject to change.

STAFF: No position at this time.

NET OPERATING INCOME

ISSUE 24: **What are the appropriate test year revenues?**

SUNSHINE: Water - \$22,918,286; Wastewater - \$29,617,000. (Swain)

OPC: With the exception of revenues from AFPI charges, the Company's proposed test year revenues should be adjusted as reflected in Exhibit RCS-2, Schedules C-19-21. Pending further review of rebuttal testimony and the resolution of other issues, the appropriate test year revenues is subject to change.

STAFF: No position at this time.

ISSUE 25: **What is the appropriate amount of rate case expense?**

SUNSHINE: \$676,030 adjusted for updated information provided in discovery responses, with 51.8168% allocated to water revenues and 48.1832% allocated to wastewater revenues. (DeStefano & Swain)

OPC: Any rate case expense associated with MFR deficiencies or other imprudent costs should be disallowed.

STAFF: No position at this time.

ISSUE 26: Should any adjustment be made to the Utility's proposed pro forma expenses?

SUNSHINE: Yes, if a repression adjustment is made to wastewater rates, an adjustment to wastewater expenses totaling \$(35,770) for purchased wastewater, sludge disposal, purchased power and chemical expenses should be made. (Swain & DeStefano)

OPC: Yes. Several adjustments to the Company's expense claims should be made, as discussed in OPC witness Smith's testimony and his Exhibit RCS-2.

STAFF: No position at this time.

ISSUE 27: Should any adjustment be made to the Utility's proposed management expenses?

SUNSHINE: No. (DeStefano)

OPC: Yes. Several adjustments to the Company's expense claims should be made, as discussed in OPC witness Smith's testimony and his Exhibit RCS-2.

STAFF: No position at this time.

ISSUE 28: Should any further adjustments be made to the Utility's test year O&M expenses?

SUNSHINE: Yes. Water - (\$100,047) plus 43,442 audit adjustments and (\$289,946) OPC adjustments and \$6,993 for repression; Wastewater - (\$140,229) plus \$42,383 audit adjustments and (\$299,458) OPC adjustments and (\$6,993) for repression. (DeStefano & Swain)

OPC: Yes. Several adjustments to the Company's expense claims should be made, as discussed in OPC witness Smith's testimony and his Exhibit RCS-2.

STAFF: No position at this time.

ISSUE 29: Should any adjustments be made to test year taxes other than income?

SUNSHINE: Yes. Water - \$3,600; Wastewater - \$43,155. (Swain)

OPC: Yes, adjustments consistent with the removal of AMI Meter Installation Project and any other associated property taxes and along with fallout from any other pro forma investment removal.

STAFF: No position at this time.

ISSUE 30: Should any adjustments be made to test year depreciation expense?

SUNSHINE: Yes. Water - \$(46,704); Wastewater - \$(317,297) plus 16,229 for audit adjustments. (DeStefano & Swain)

OPC: Yes. As reflected in Exhibit RCS-2, adjustments should be made to depreciation expenses relating to the AMI Meter Installation Project, reversing meter retirements, and test year depreciation annualization. Also, adjustments should be made for incorrect net salvage percentage-driven depreciation rates in violation of Rule 25-30.140, F.A.C.

STAFF: No position at this time.

ISSUE 31: Should any adjustments be made to test year amortization of CIAC expense?

SUNSHINE: Yes. Water - \$1,134; Wastewater - \$370,323. (Swain)

OPC: Should the Commission authorize the Utility's annualized depreciation for test year plant additions, then adjustments are necessary for CIAC amortization expense for CIAC received during the test year.

STAFF: No position at this time.

ISSUE 32: What is the appropriate amount of test year income taxes?

SUNSHINE: Water - \$193,522; Wastewater - \$616,464. (Swain)

OPC: Pending the resolution of other issues, the income taxes will depend upon the specific level of revenues authorized by the Commission.

STAFF: No position at this time.

REVENUE REQUIREMENT

ISSUE 33: What is the appropriate revenue requirement for the December 31, 2023 test year?

SUNSHINE: Annual water operating revenues in the amount of \$28,013,305 and annual wastewater operating revenues in the amount of \$34,299,872. However, SWS proposes the water rate increase be limited so that it does not result in more than a 19.9% increase. (Swain)

OPC: The appropriate revenue requirement should be calculated using a base revenue increase of no more than \$1,351,180 for water, as shown in Exhibit RCS-2, Schedule A, Page 1 of 4, and a base revenue increase of no more than \$3,283,467 for wastewater, as shown in Exhibit RCS-2, Schedule A, Page 2 of 4. However, the revenue requirement issue is a fallout issue and is subject to change based on the resolution of other issues.

STAFF: No position at this time.

RATES AND RATE STRUCTURE

ISSUE 34: What are the appropriate rate structures and rates for the water systems?

SUNSHINE: The current water rates should be increased by the percentage increase in water revenues, adjusted for repression. (Swain)

OPC: No position.

STAFF: No position at this time.

ISSUE 35: What are the appropriate private fire protection charges?

SUNSHINE: The fire protection rate should be established pursuant to Rule 25-30.465, F.A.C. (Swain)

OPC: The appropriate private fire protection charges should be calculated in compliance with Rule 25-30.465, F.A.C.

STAFF: No position at this time.

ISSUE 36: What are the appropriate rate structures and rates for the wastewater systems?

SUNSHINE: The current wastewater rates should be increased by the percentage increase in wastewater revenues, adjusted for repression. (Swain)

OPC: No position.

STAFF: No position at this time.

ISSUE 37: What are the appropriate reuse rates?

SUNSHINE: The current reuse rates should be increased by the percentage increase in wastewater revenues (Swain).

OPC: The appropriate reuse rates are as reflected on Exhibit RCS-2, Schedule C-20.

STAFF: No position at this time.

OTHER ISSUES

ISSUE 38: What are the appropriate customer deposits?

SUNSHINE: The amount of customer deposits should be established pursuant to Rule 25-30.311, F.A.C. (DeStefano)

OPC: The appropriate customer deposits should be calculated in compliance with Rule 25-30.311, F.A.C.

STAFF: No position at this time.

ISSUE 39: What are the appropriate miscellaneous service charges?

SUNSHINE: The miscellaneous service charges should remain unchanged. (DeStefano)

OPC: The appropriate miscellaneous service charges should be calculated with OPC witness Smith's adjustments in Exhibit RCS-2 Schedule C-21.

STAFF: No position at this time.

ISSUE 40: What are the appropriate guaranteed revenue charges?

SUNSHINE: The current guaranteed revenue charges should remain unchanged. (DeStefano)

OPC: These charges are dependent on the resolution of other issues.

STAFF: No position at this time.

ISSUE 41: What are the appropriate meter installation charges?

SUNSHINE: Meter installation charges shall be updated for 5/8" x 3/4" meters to \$591.83 and to reflect actual costs for other meters as supported in the Direct Testimony of Mr. DeStefano. (DeStefano)

OPC: The Utility has not justified its proposed 194% increase to its current meter installation charge increasing the present 5/8" x 3/4" Meter Installation Charge from \$201.21 to a proposed \$591.83.

STAFF: No position at this time.

ISSUE 41A: Are the resulting rates affordable within the meaning of fair, just, and reasonable pursuant to Sections 367.081 and 367.121 Florida Statutes?

SUNSHINE: Affordability is not a ratemaking principle addressed in the referenced statutes and further there is no testimony in this docket supporting this concept.

OPC: Pursuant to Section 367.081(2)(a)1., F.S., the Commission may only approve the parts of Sunshine's rate request which results in rates that are just, reasonable, compensatory, and not unfairly discriminatory. Sunshine has requested that the Commission approve an increase of \$4,561,183, or 19.9%, in base revenues for its water utility and an increase of \$4,701,373, or 15.87%, in base revenues for its wastewater utility. This request includes a totally unnecessary AMI project and does not include the unknown but surely large amount that Sunshine will need to request in the future to address its Mid-County woes. The Commission should consider affordability in this proceeding, and all future water and wastewater utility base rate proceedings, in evaluating rate increase requests consistent with the trends in other U.S. regulatory jurisdictions.

STAFF: No position at this time.

ISSUE 42: Should the Utility's request to establish deferral accounts related to the Corix Infrastructure Inc. and SW Merger Acquisition Corp. merger be approved?

SUNSHINE: Yes. (Elicegui)

OPC: No.

STAFF: No position at this time.

ISSUE 43: What is the appropriate amount by which rates should be reduced after the established effective date to reflect the removal of the amortized rate case expense?

SUNSHINE: \$169,008, with 51.8168% allocated to water revenues and 48.1832% allocated to wastewater revenues. (Swain)

OPC: This is a fallout issue pending the resolution of Issue 25.

STAFF: No position at this time.

ISSUE 44: Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

SUNSHINE: Yes.

OPC: Yes. The Utility should be required to notify the Commission in writing that it has adjusted its books in accordance with any Commission ordered adjustments. Sunshine should submit a letter within 90 days of the final order in this docket confirming that the adjustments to all applicable NARUC USOA accounts have been made to the Utility's books and records.

STAFF: No position at this time.

ISSUE 45: Should this docket be closed?

SUNSHINE: Yes, after confirmation that adjustments have been made.

OPC: No at this time.

STAFF: No position at this time.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
<u>Direct</u>			
Dante M. DeStefano	Sunshine	DMD-1 Confidential	Cost Allocation Manual
Dante M. DeStefano	Sunshine	DMD-2	Cost detail supporting Meter Installation Fee
Dante M. DeStefano	Sunshine	DMD-3	Billing Analysis (E-14 Schedules)
Dante M. DeStefano	Sunshine	DMD-4	Allocation Schedules
Dante M. DeStefano	Sunshine	DMD-5	Operating Agreement between Water Service Corp and SWS
Deborah D. Swain	Sunshine	DDS-1	MFRs – Financial, Rate & Engineering (except E-14, and F Schedules)
Deborah D. Swain	Sunshine	DDS-2	Reconciliation Schedules
Frank Seidman	Sunshine	FS-1	Education & Experience
Frank Seidman	Sunshine	FS-2	Summary of Used & Useful, EUW and Excess I & I
Seán Twomey	Sunshine	ST-1	Resume
Seán Twomey	Sunshine	ST-2	Summary of Pro Forma Projects
Seán Twomey	Sunshine	ST-3	Tierra Verde 13 th Street Bridge FM Replacement
Seán Twomey	Sunshine	ST-4	Tierra Verde Madonna Bridge Line Relocation
Seán Twomey	Sunshine	ST-5	Cypress Lakes – VT SCADA 16 RTU Installations

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Seán Twomey	Sunshine	ST-6	Eagle Ridge Headworks Improvements
Seán Twomey	Sunshine	ST-7	Cross Creek Compliance Improvements
Seán Twomey	Sunshine	ST-8	Mid-County Riviera Estates LS, FM, and GM Crossing Removal
Seán Twomey	Sunshine	ST-9	Mid-County Wilshire Manhole Replacement
Seán Twomey	Sunshine	ST-10	LUSI Construction 2nd Lower Floridan Well
Seán Twomey	Sunshine	ST-11	LUSI CFX US 27 Sewer Relocates
Seán Twomey	Sunshine	ST-12	LUSI CFX US 27 Water Relocates
Seán Twomey	Sunshine	ST-13	LUSI CR561 WTP Upgrades
Seán Twomey	Sunshine	ST-14	Weathersfield WTP Generator Replacement
Seán Twomey	Sunshine	ST-15	Weathersfield Hydro Tank Replacement
Seán Twomey	Sunshine	ST-16	Golden Hills WTP Generator Replacement
Seán Twomey	Sunshine	ST-17	Sanlando F5 Force Main
Seán Twomey	Sunshine	ST-18	Sanlando Wekiva EQ Aeration Improvements
Seán Twomey	Sunshine	ST-19	Pennbrooke Water Quality Improvements
Seán Twomey	Sunshine	ST-20	AMI Meter Installation Project
Seán Twomey	Sunshine	ST-21	Vactor Truck
Seán Twomey	Sunshine	ST-22	Sandalhaven Force Main Relocation

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Seán Twomey	Sunshine	ST-23	Buena Vista Lane Water Main Relocation
Seán Twomey	Sunshine	ST-24	Orangewood Remediation PFAS
Seán Twomey	Sunshine	ST-25	Curlew Creek Lift Station Gravity Main Rehabilitation
Seán Twomey	Sunshine	ST-26	UIF Jansen Water Main Relocation
Ralph Smith	OPC	RCS-1	Qualifications of Ralph Smith
Ralph Smith	OPC	RCS-2	Revenue Requirement and Adjustment Schedules for 2023 Test Year
Angela L. Calhoun	Staff	ALC-1	List of Service Complaints
Angela L. Calhoun	Staff	ALC-2	List of Billing Complaints
Angela L. Calhoun	Staff	ALC-3	List of Complaints by System
Curt Mouring	Staff	CM-1	Auditor's Report
<u>Rebuttal</u>			
Deborah D. Swain	Sunshine	DDS-3 (originally identified as DDS-2)	Revised MFRs – Financial, Rate & Engineering
Seán Twomey	Sunshine	ST-03 Updated	Tierra Verde 13th Street Bridge FM Replacement
Seán Twomey	Sunshine	ST-06 Updated	Eagle Ridge Headworks Improvements
Seán Twomey	Sunshine	ST-08 Updated	Mid-County Riviera Estates LS, FM, and GM Crossing Removal
Seán Twomey	Sunshine	ST-10 Updated	LUSI Construction 2nd Lower Floridan Well

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Seán Twomey	Sunshine	ST-11 Updated	LUSI CFX US 27 Sewer Relocates
Seán Twomey	Sunshine	ST-12 Updated	LUSI CFX US 27 Water Relocates
Seán Twomey	Sunshine	ST-13 Updated	LUSI CR561 WTP Upgrades
Seán Twomey	Sunshine	ST-14 Updated	Weathersfield WTP Generator Replacement
Seán Twomey	Sunshine	ST-16 Updated	Golden Hills WTP Generator Replacement
Seán Twomey	Sunshine	ST-17 Updated	Sanlando F5 Force Main
Seán Twomey	Sunshine	ST-18 Updated	Sanlando Wekiva EQ Aeration Improvements
Seán Twomey	Sunshine	ST-19 Updated	Pennbrooke Water Quality Improvements
Seán Twomey	Sunshine	ST-20 Updated	AMI Meter Installation Project
Seán Twomey	Sunshine	ST-22 Updated	Sandalhaven Force Main Relocation
Seán Twomey	Sunshine	ST-23 Updated	Buena Vista Lane Water Main Relocation
Seán Twomey	Sunshine	ST-25 Updated	Curlew Creek Lift Station Gravity Main Rehabilitation
Seán Twomey	Sunshine	ST-26 Updated	UIF Jansen Water Main Relocation

X. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

XI. PENDING MOTIONS

There are no pending motions at this time.

XII. PENDING CONFIDENTIALITY MATTERS

There are no pending confidentiality matters.

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 75 words, it must be reduced to no more than 75 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 40 pages and shall be filed at the same time.

XIV. RULINGS

Opening Statements

Opening statements, if any, shall not exceed five (5) minutes per party.

Contested Issues A, B, and C

Having considered the arguments of the parties at the prehearing, and in their subsequent docket filings, I hereby find that issues A, B, and C shall be included in the issues for hearing. Issue A shall be added to the Issue List as Issue 1A; Issue B as Issue 41A; and Issue C as Issue 4A.

Gongre Testimony

At the Prehearing Conference, OPC made an oral motion to subpoena Mr. Bryan Gongre, and cause Mr. Bryan Gongre to appear as a witness for OPC at the hearing in this matter.

After his deposition on October 30, 2024, it appeared evident to OPC that Mr. Twomey lacked knowledge of certain issues related to this rate case. According to OPC, Mr. Gongre's

testimony is meant to present evidence regarding issues where Mr. Twomey lacked knowledge. On December 19, 2024, OPC conversed with the Utility's counsel about scheduling the deposition of Mr. Gongre. On January 9, 2025, OPC filed a notice of taking Mr. Gongre's deposition; the deposition itself was held on January 21, 2025. However, OPC offers no explanation as to what delayed its inquiry in identifying, deposing, and requesting prefiled written testimony from Mr. Gongre in the weeks between October 30, 2024 and December 19, 2024.

Pursuant to Order No. PSC-2024-0437-PCO-WS, all parties and staff were required to file a Prehearing Statement by January 15, 2025, listing the name of all known witnesses whose testimony has been prefiled or who may be called by the party, along with subject matter of each such witness' testimony. OPC did not list Mr. Gongre as a witness for OPC, or reference the possibility that he may be desired as a witness.

OPC's request at this late date denies the Utility and Commission staff a reasonable opportunity to conduct discovery or provide rebuttal related to Mr. Gongre's testimony. Moreover, granting OPC's request would require attorneys for the Utility and the Commission to cross-examine Mr. Gongre without knowing the substance of his testimony beforehand. This approach is in stark contrast to the long-standing practice of this Commission to require prefiled witness testimony about the complex and nuanced issues in a rate proceeding. OPC had ample opportunity to afford due process to the Utility and Commission staff, and their failure to do so is prejudicial. Having failed to show good cause for why Mr. Gongre's deposition was not taken sooner in the discovery process, or why the potential for calling Mr. Gongre as a witness was not identified until the time of the Prehearing Conference, OPC's request to call Mr. Gongre as a witness at the hearing is denied.

It is therefore,

ORDERED by Commissioner Andrew Giles Fay, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Andrew Giles Fay, as Prehearing Officer, this 6th day of February, 2025.



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

RPS

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.