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Public Service Commission

September 8, 2021

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**STAFF'S FIRST DATA REQUEST
VIA EMAIL**

Re: Docket No. 20210095-WU - Application for transfer of water facilities of Sunshine Utilities of Central Florida, Inc. and Water Certificate No. 363-W to CSWR-Florida Utility Operating Company, LLC, in Marion County.

Dear Ms. Clark:


Please provide the information requested below regarding CSWR-Florida Utility Operating Company, LLC (CSWR or Utility) to the Office of Commission Clerk by **September 29, 2021**.

1. Rule 25-30.0371, Florida Administrative Code (F.A.C.), states that any entity that believes a full or partial positive acquisition adjustment should be made has the burden to prove the existence of extraordinary circumstances. In determining whether extraordinary circumstances have been demonstrated pursuant to a request for a positive acquisition adjustment, the Commission shall consider, among other things, evidence provided to the Commission such as anticipated improvements in the utility's compliance with regulatory mandates and anticipated improvements in quality of service.
 - a. With respect to anticipated improvements in regulatory compliance, the Utility listed in its application the steps it plans to take to achieve improvements in compliance with regulatory mandates. However, aside from a preliminary assessment of the current condition of the water and wastewater systems, the Utility did not provide information regarding the Seller's record of compliance with regulatory mandates. Please provide the specific regulatory compliance issues the previous owner had, and state how CSWR anticipates improving the Utility's compliance with regulatory mandates.
 - b. With respect to anticipated improvements in quality of service, the Utility listed in its application the steps it plans to take to achieve improvements in quality of service. Please provide specific information regarding the Seller's history of quality of service.

2. In its application, the Utility stated that through the consolidation of many small systems, CSWR will reduce overall operating expenses of the acquired systems. The following items relate to this assertion.
 - a. In order to demonstrate cost savings, please estimate and provide a breakdown of projected operation and maintenance (O&M) expenses that reflect CSWR assuming operation of the Utility. In your response, please include all basis, assumptions, documentation, and calculations which supports CSWR's estimated/projected O&M expenses.
 - b. Please quantify and elaborate on any reductions to operating expenses that will be achieved through CSWR's acquisition of Sunshine Utilities of Central Florida, Inc.'s (Sunshine) systems by comparing the projected O&M expenses to the actual 2020 O&M expenses by primary expense account.
3. In its application, the Utility stated that the quality of service would be improved by access to managerial and operational resources not available to a system the size of Sunshine. Please elaborate and quantify cost savings previously realized in other jurisdictions.
4. In its application, the Utility stated that the Commission should consider the appraised value of real estate the Utility would acquire as part of the proposed transaction. Additionally, the Utility stated that it believes the value of those assets has previously not been included in rate base and no amortization of those assets has previously been recovered from customers through rates.
 - a. Are these assets in addition to those identified in staff's audit, issued August 27, 2021? If so, please provide documentation supporting the original cost, when they were placed into service.
 - b. Pursuant to Rule 25-30.115, F.A.C., water and wastewater utilities must maintain their accounts and records in conformity with the 1996 NARUC Uniform Systems of Accounts, which states that utility plant, including land, used in providing service should be recorded at original cost. If the Utility is requesting a different market valuation of land assets previously recognized by the Commission at original cost, please explain why this request should be considered given it would be inconsistent with this Commission's long-standing original cost regulation.
5. Please estimate and quantify the impact to customer rates on potential future rate case proceedings due to the requested positive acquisition adjustment.
6. Does the Utility agree with the findings of the audit report submitted on August 27, 2021? If not, please provide a response to the audit report.

Susan Clark, Esq.
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Please file all responses electronically at the Commission's website at www.floridapsc.com, by selecting the Clerk's Office and Electronic Filing Web Form. Please contact me by phone at (850) 413-6836 or email kmaloy@psc.state.fl.us, if you have any questions.

Sincerely,

Kerri Maloy
Engineering Specialist

KM/jp
cc: Thomas Crabb, Esq. (tcrabb@radeylaw.com)
Office of the Commission Clerk (Docket No. 20210095-WU)