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October 6, 2021

VIA Electronic Filing to the Office of Commission Clerk

Attn: Melinda Watts, Engineering Specialist
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20210093-WS - Application for transfer of water and wastewater systems of Aquarina Utilities, Inc., Water Certificate No. 517-W, and Wastewater Certificate No. 450-S to CSWR-Florida Utility Operating Company, LLC, in Brevard County.

Dear Ms. Watts:

CSWR-Florida Utility Operating Company, LLC (“CSWR” or “the Company”) submits the following responses to Staff’s September 8, 2021 First Data Request.

1. Rule 25-30.0371, Florida Administrative Code, 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.

CSWR RESPONSE: Please see the attachment labeled “1a Aquarina Compliance Info” for the compliance information requested. The Aquarina Utilities system consists of a drinking water,



irrigation water, and wastewater system. The water system is in need of many improvements including electrical improvements, remote monitoring, flow metering, tank interior coating, chemical containment, and a chlorine analyzer. Additionally, the system needs new containment around pumping infrastructure and several pumps need to be replaced. Additionally, the system has a backup power system that is in need of replacement. The system has a reverse osmosis treatment system (RO) that currently discharges its backwash into the wastewater treatment system, however it appears that more rigorous enforcement of the limits on the wastewater discharge field may prevent this practice going forward. As a result, CSWR will have to find a new way to deal with the backwash, which may be as simple as discharging to the irrigation water tank or even removing the RO treatment system as it is not needed to meet drinking water limits.

The Aquarina Utilities wastewater facility is a conventional extended aeration “donut” style plant which discharges to two rapid infiltration basins (RIBs). As with the water systems, this system needs electrical improvements, new flow monitoring, and remote monitoring to allow for immediate response to abnormal operating conditions that would result in equipment damage, environmental damage, or service interruptions if left unattended. At the treatment facility, much of the piping has reached the end of useful life and CSWR will make repairs as appropriate including replacing the RAS/WAS (return activated sludge/waste activated sludge) lines and some aeration piping. Repairs are needed at the disinfection system to prevent the release of harmful bacteria into the environment. The RIBs are in need of maintenance to ensure proper drainage of waste and prevent runoff of wastewater. Additionally, new monitoring wells are required to complete testing required for compliance by the state. Some improvements are required at the clarifier and headworks to help reduce solids flow through the plant. CSWR will also assess all aeration equipment to determine if any blowers, compressors, headers, etc. require repair or replacement.

- 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.

CSWR RESPONSE: Please see the Company’s response to Data Request 1a.

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.



CSWR RESPONSE: As CSWR expressed in Exhibit P to its application, the Company believes that customers of Aquarina would benefit from economies of scale and other advantages available from CSWR. While this does not necessarily reflect cost savings compared to current operations expenses from Aquarina, the advantages of this acquisition are reflected in CSWR's resources pertaining to customer service, an advanced computerized maintenance management system, and personnel with years of experience across over 300 plants. After CSWR owns and operates a system for a short period of time, the Company will then be able to accurately assess costs to more accurately reflect the actual operating needs and characteristics of the system.

Please see the Company's response to Data Request 3 below for further explanation of the benefits that will be passed on to customers.

- b. Please quantify and elaborate on any reductions to operating expenses that will be achieved through CSWR's acquisition of Aquarina Utilities Inc.'s (Aquarina) systems by comparing the projected O&M expenses to the actual 2020 O&M expenses by primary expense account.

CSWR RESPONSE: Please see the Company's response to Data Request 2a above. At this time, CSWR-Florida is unable to provide quantitative information at the granularity requested.

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 Aquarina. Please elaborate and quantify cost savings previously realized in other jurisdictions.

CSWR RESPONSE: As discussed in Exhibits F and P to the application, CSWR-Florida believes that the quality of service will be improved by CSWR's access to resources. In particular, the quality of service relating to Operations & Maintenance and the Customer Service will improve drastically.

CSWR utilizes the Computerized Maintenance Management System (CMMS) program Utility Cloud to facilitate field work, inspections, maintenance schedules, and reporting for all facilities. This allows CSWR to manage data, work, and compliance across plant and distributed field assets. Utility Cloud has been implemented to assist in avoiding compliance and equipment failures with real-time data monitoring across people, machines, and sensors throughout all our service areas.

The main benefit that Utility Cloud offers CSWR is that the system is a highly configurable, easy-to-use asset management tool that helps all parties distribute work, report on maintenance, and streamline compliance reports. With the system being highly configurable CSWR can build out the systems efficiently and begin tracking maintenance and improvements on day one of ownership. Most of the operators of this system require only a 4-hour training session to be able to navigate, create and assign work, and complete the Work Orders. The ability to get the Company's contract operators trained so quickly speaks volumes to how easy the system is to operate. That initial training is adequate for 90% of our operators.



Features of Utility Cloud that CSWR has implemented that have been beneficial to our operations and streamlined time-consuming processes consist of:

- Automating the completion and submission of compliance reports using the exact field data your crew collects.
- Utilize custom accounts, security roles, and user rights to maintain the separation between projects and managing multiple contractors while storing all CSWR's data in one database.
- Manage and track maintenance history on all assets to assist in identifying potential capital improvement projects.
- Create custom alerts to trigger as issues arise.
- Leveraging digital SOPs, manuals, and layouts helping standardize complex work and to meet regulatory and OSHA requirements.
- Create powerful workflows and reports for our compliance objectives.
- Integration with the survey database to create a useable asset for field work tracking. Utilizing real-time data and leveraging analytical tools to trend plant performance.

As part of CSWR's arsenal of tools utilized, Utility Cloud is pivotal in the operation and maintenance of the facilities that it takes over. The ability to create custom workflows gives us the ability to collect asset and task specific data quickly and efficiently. Utilizing this system allows CSWR to quickly implement new processes that are applicable for all our sites across the country with the click of a button. This is the type of configuration scalability that CSWR requires and Utility Cloud delivers.

At this time, CSWR-Florida is not able to quantify any cost savings as the benefits provided in other jurisdictions revolve around quality of service and environmental sustainability rather than cost.

4. In its application, the Utility stated the purchase price for the Aquarina systems includes funds to pay off long-term debt obligations. If the existing rates were designed to recover capital cost in the rate structure, please explain why the cost of capital should also be recovered within the acquisition adjustment.

CSWR RESPONSE: While existing rates for utility service may reflect costs related to seller's long-term debt, the Data Request appears to assume those rates would continue indefinitely because that is the only scenario under which rates would fully pay off that debt. But the Company intends to file its initial rate case as soon as practicable after the proposed transaction closes. And when new rates set in that case take effect, those rates would not include any amount for repayment of the seller's long-term debt.

As Article I of the Purchase and Sale Agreement makes clear, this transaction involves only tangible assets owned by the seller and used to provide utility service to customers. At closing, the Company will not assume any of the seller's current debt obligations. Because those obligations



must be paid off at or prior to closing (in order for seller to transfer title to its assets free of all liens and other encumbrances), seller must receive sufficient funds at closing to cover both the value of the transferred assets and seller's outstanding debt obligations.

Consequently, while there may be a brief period between closing and the Company's initial rate case when a portion of current rates could be attributed to the recovery of costs related to seller's long-term debt, that period would end at the conclusion of the Company's initial rate case. At that point, rates would be based solely on the Company's debt costs and would not reflect any amount to recover any costs related to seller's long-term debt.

5. Please estimate and quantify the impact to customer rates on potential future rate case proceedings due to the requested positive acquisition adjustment.

CSWR RESPONSE: The Company is unable to quantify the impact to customers due to the requested acquisition adjustment due to the many variables that can impact the per customer rates. These variables include Capital Structure, ROI, amortization periods, and various other factors that could influence the projected impact.

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.

CSWR RESPONSE: CSWR-Florida does not currently have sufficient information to determine whether or not Staff's findings are accurate. CSWR-Florida has often found in other jurisdictions that utility owners/accountants do not properly account for much of the reinvestment in their system. In many cases, the utility owners improperly expense various repairs/reinvestments that should instead be capitalized and included in rate base. Once CSWR been able to operate these systems for a period of time, the Company has found that various plant components contain a higher asset value than previously assigned.

Please feel free to contact our office at your convenience with any additional questions or concerns.

Sincerely,

/s/ Thomas A. Crabb

Thomas A. Crabb
Attorney for Buyer CSWR-FL

cc: Stephanie Morse, Esq., Office of Public Counsel (morse.stephanie@leg.state.fl.us)
Martin Friedman, Esq. (mfriedman@deanmead.com)

ATTACHMENT

1a Aquarina Compliance Info

Company	Site	Type	ID	Facilities	Violation/Compliance	Notes
Aquarina	Aquarina Drinking Water	Water	FL3054060	Well 1 - 595 ft - Fair Condition Well 2 - 590 ft - Fair Condition RO system 1 - Fair Condition RO system 2 - Good Condition Aeration Tower - Fair Condition Sodium Hypochlorite Disinfection - Fair Condition 6 Booster Pumps - 5 Fair Condition, 1 Poor Condition 250,000 Gallon Ground Storage Tank - Fair Condition 1,250,000 Fire and Irrigation Ground Storage Tank - Fair Condition Fiberglass Clearwell, 350 gallons - Fair Condition 5,000 gallon pressure tank - Poor Condition Backup generator - Poor Condition	2016 violation for failure to monitor for bacteria and a failure to conduct assessment monitoring 2013 violation for failure to monitor for nitrate 2012 violation for failure to conduct assessment monitoring for bacteria	
Aquarina	Aquarina Wastewater	Wastewater	FLA010352	Large concrete extended aeration treatment facility (muni-style) with digester, tertiary sand filters, and sodium hypochlorite disinfection, discharge to two large drainfields which alternate 7 days on 7 days off for drainage, notable duckweed growth in clarifier, sand filters are inoperable and have history of overflow leading to bypass pumping around filters (unacceptable)	Last violations were in 2011, however the system is late in submitting sodium and chloride tests for the last several years, implication is that the system exceeds levels in the monitoring wells and it will likely require a different method of disposal for the RO system from the drinking water treatment. This could be potentially routed into the fire/irrigation storage tank as the treatment is not required for this storage and distribution system.	RO backwash issues, consider wasting to fire/irrigation nonpotable system