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October 6, 2021

VIA Electronic Filing to the Office of Commission Clerk

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

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. Maloy:

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

DR 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.

1a. 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 Sunshine Compliance Info” for the compliance information requested. Generally, the Sunshine Utilities systems will require basic improvements to add functionality that does not currently exist and to complete repairs and maintenance activities that have been deferred by current ownership. Typical improvements center around several consistent issues at the Sunshine facilities. The facilities do not have any sort of remote monitoring system which would allow operators to immediately respond to abnormal operating conditions like equipment failure, power outages, or other issues that can interrupt service to customers. We will make electrical improvements, install new flow meters on wells, and install electrical improvements to allow for this greater degree of operational control and customer service. Many of the tanks in the Sunshine Utilities systems are overdue for maintenance and interior coating to protect water quality. Many of these sites also have no containment for their chlorination equipment. Uncontained chlorine chemical will gradually lead to accelerated damage and age to equipment. CSWR will install containment to extend the life of all equipment. Most of the distribution systems in the Sunshine Utilities facilities are lacking in either blowoff valves to prevent air in pipes or flushing valves which help in preventing solids buildup in the distribution systems. CSWR will install this additional infrastructure where appropriate to improve water quality. Apart from these improvements, general site improvements must be completed to protect water source equipment and ensure operator safety.

1b. 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.

DR 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.

2a. 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-Florida expressed in Exhibit P to its application, the Company believes that customers of Sunshine 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 Sunshine, 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-Florida 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.

- 2b. 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.

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

- DR 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.

CSWR RESPONSE: As discussed in Exhibits F and P to the application, CSWR 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 crews collect.



- 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 for 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.

DR 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.

4a. 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.

CSWR RESPONSE: At this time, CSWR-Florida has not reviewed each invoice regarding the real estate included in Staff's financial audit and therefore cannot speak to whether these assets are in addition to those identified in Staff's audit.

4b. 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.

CSWR RESPONSE: CSWR-Florida does not have all of the information necessary at this time to determine if the real estate valued in Staff's audit encompasses the full scope or value of the in-use and useful real estate assets at Sunshine Utilities.

DR 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.

DR 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 does not currently have sufficient information to determine whether or not Staff's findings are accurate. CSWR 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 has 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.

Thank you for the opportunity to submit additional information in support of the application. 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: Anastacia Pirrello, Esq., Office of Public Counsel (pirrello.anastacia@leg.state.fl.us)
Thomas J. Dobbins (sunshineutl@aol.com)

ATTACHMENT

1a Sunshine Compliance Info

Company	Site	Type	ID	Facilities	Violation/Compliance	Notes
Sunshine	Ashley Heights	Water	FL3424962	4-in Well - 120 ft 62 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (5,000 gallon Hydro pneumatic) - poor condition Cinderblock building Distribution System	No recent violations: Monitoring Violations in 2007&2005 Present Bac-t in 2002	No recent compliance issues, no air relief/ blowoff valve in looped system
Sunshine	Bellevue Oaks Estates	Water	FL3424621	Well - 160 ft 150 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (2,000 gallon Hydro pneumatic) - poor condition Distribution System	No recent violations: Monitoring Violations in 2004 and in 2017	No recent compliance issues, no air relief/ blowoff valve in looped system
Sunshine	Country Walk	Water	FL3424657	Well - 140 ft 150 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (2,000 gallon Hydro pneumatic) - poor condition Cinderblock building Distribution System	No recent violations: 2004 CCR rule violation	No recent compliance issues, no air relief/ blowoff valve in looped system
Sunshine	Eleven Oaks	Water	FL3424099	Well - 200 ft 55 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Anit-corrosion control system - poor condition Storage (2,000 gallon Hydro pneumatic) - poor condition Distribution System	No recent violations: 2014 monitoring violation for E.coli 2004 CCR rule violation	No recent compliance issues, no air relief/ blowoff valve in looped system
Sunshine	Elim-Mar	Water	FL3420340	Well - 79 ft 62 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (2,000 gallon Hydro pneumatic) - poor condition Distribution System	No recent violations: 2016 monitoring violation for nitrate 2x2007 lead and copper rule violations	No recent compliance issues, no air relief/ blowoff valve in looped system
Sunshine	Florida Heights	Water	FL3424031	Well 1 - 146 ft 100 GPM - poor condition Well 2 - 146 ft 100 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (3,000 gallon Hydro pneumatic) - fair condition Cinder Block Building Distribution System	No recent violations: 2004 CCR rule violation	No recent compliance issues, no air relief/ blowoff valve in looped system
Sunshine	Floyd Creek	Water	FL3420411	Well - 80 ft 62 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (5,500 gallon Hydro pneumatic) - fair condition Cinderblock building Distribution System	No recent violations: 2004 CCR rule violation	No recent compliance issues, no air relief/ blowoff valve in looped system
Sunshine	Fore Oaks Estates	Water	FL3424644	Well 2 - 165 ft 225 GPM - fair condition Well 3 - 165 ft 330 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (10,000 gallon Hydro pneumatic) - fair condition Generator good condition Cinder Block Building Distribution System	Several monitoring violations in 2020 for disinfectoin byproducts present bac-t in 2006	Some monitoring violations in 2020, no air relief/ blowoff valve in looped system
Sunshine	Hilltop at Lake Weir	Water	FL3424662	Well 1 - 224 ft 190 GPM - fair condition Well 2 - 210 ft 245 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (10,000 gallon Hydro pneumatic) - fair condition Generator good condition Cinder Block Building Distribution System	No recent violations	No recent compliance issues
Sunshine	Little Lake Weir	Water	FL3420761	Well 1 - 250 ft 75 GPM - poor condition Well 2 - 170 ft 245 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (10,000 gallon Hydro pneumatic) - fair condition Generator good condition Cinder Block Building Distribution System	monitoring violations for disinfection and disinfection byproduct monitoring in 2017	monitoring violations for disinfection and disinfection byproduct monitoring in 2017
Sunshine	Oak Haven Quadruplexes	Water	FL3424106	Well - 285 ft 400 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Anit-corrosion control system - poor condition Storage (5,000 gallon Hydro pneumatic) - fair condition Distribution System	No recent violations	No recent compliance issues

Company	Site	Type	ID	Facilities	Violation/Compliance	Notes
Sunshine	Oakcrest Villas Sun Resort	Water	FL3421201	Well - 100 ft 30 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (300 gallon Hydro pneumatic) - poor condition Distribution System	No recent violations	No flushing points in the system
Sunshine	Oakhurst Subdivision	Water	FL3424032	Well - 100 ft 200 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (3,000 gallon Hydro pneumatic) - good condition Wood building in poor condition Distribution System	No recent violations	No flushing points in the system
Sunshine	Ocala Gardens Apartments	Water	FL3421554	Well - 240 ft 50 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (900 gallon Hydro pneumatic) - fair condition Distribution System	2 monitoring violations for disinfection byproduct monitoring in 2018	insuficient blowoff, isolation, and flushing valves
Sunshine	Ocala Heights Subdivision	Water	FL3424651	Well 1 - 150 ft 120 GPM - fair condition Well 2 - 170 ft 245 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (10,000 gallon Hydro pneumatic) - fair condition Generator fair condition Cinder Block Building Distribution System	2 monitoring violations for disinfection byproduct monitoring in 2020	No flushing points in the system
Sunshine	Ockwaha	Water	FL3420939	Pines Well 1 - 264 ft 127 GPM - fair condition Terrace Well 1 - unknown ft 300 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (7,500 gallon Hydro pneumatic (Pines, out of service) and 5,000 Gallon tank (Terrace) - good condition Cinder Block Building at Pines in fair condition Wood building at Terrace in poor condition Distribution System	a number of violations for monitoring errors but all have been resolved (13 in the last 10 years)	No flushing points in the system
Sunshine	Ponderosa Pines	Water	FL3424062-1 & FL3424062-2	WWTP 1 Well - 430 ft 56 GPM - poor condition WWTP 2 Well - 390 ft 60 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition WWTP 1 Storage (2,000 gallon Hydro pneumatic) - fair condition WWTP 2 Storage (2,000 gallon Hydro pneumatic) - poor condition Pump station @ WWTP 2 - poor condition Distribution System	No recent violations	No blow off valves or flushing valves
Sunshine	Quail Run	Water	FL3424046	Well - unknown depth 360 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (3,000 gallon Hydro pneumatic) - good condition Distribution System	2 violations for disinfection byproduct monitoring and 1 for present bac-t in 2014	No blow off valves or flushing valves
Sunshine	Sandy Acres	Water	FL3421118	Well 1 - 180 ft 230 GPM - fair condition Well 2 - 179 ft 89 GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (2,000 gallon Hydro pneumatic) - fair condition Generator poor condition Wood Pump Station Building poor condition Distribution System	Several violations for failure to complete disinfection byproduct monitoring	No flushing points in the system
Sunshine	Sun Ray Estates	Water	FL3421314	Well 1 - 165 ft 410 GPM - poor condition Well 2 - 160 ft 140 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (10,000 gallon Hydro pneumatic) - poor condition Generator fair condition Cinder block building fair condition Distribution System	Several violations for failure to complete disinfection byproduct monitoring	No flushing points in the system
Sunshine	Sunlight Acres Subdivision	Water	FL3421520	Well - 125 ft 150 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (2,000 gallon Hydro pneumatic) - poor condition Distribution System	Several violations for failure to complete disinfection byproduct monitoring	No blow off valves or flushing valves

Company	Site	Type	ID	Facilities	Violation/Compliance	Notes
Sunshine	Whispering Sands Subdivision	Water	FL3424009	Well 1 - 132 ft 115 GPM - fair condition Well 2 - 128 ft 150 GPM - fair condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (10,000 gallon Hydro pneumatic) - fair condition Generator fair condition Wood building fair condition Distribution System	No recent violations	No flushing points in the system
Sunshine	Winding Waters	Water	FL3424691	Well 1 - 225 ft 811 GPM - poor condition Well 2 - 297 ft Unknown GPM - poor condition Treatment Plant (Sodium Hypochlorite) - poor condition Storage (10,000 gallon Hydro pneumatic) - poor condition Generator poor condition Cinderblock building fair condition Distribution System	No recent violations	No flushing points in the system
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