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October 15, 2021

VIA Electronic Filing to the Office of Commission Clerk

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

Re: Docket No. 20210133-SU - Application for transfer of facilities of North Peninsula Utilities Corporation and Wastewater Certificate No. 249-S to CSWR-Florida Utility Operating Company, LLC, in Volusia County.

Dear Ms. Daramola:

CSWR-Florida Utility Operating Company, LLC (“CSWR-Florida,” “CSWR” or “the Company”) submits the following responses to Staff’s September 27, 2021 First Data Request.

DR 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.

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 wastewater system, 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: The system has had a history of regular compliance issues. Several recent investigation reports have noted severe corrosion at the steel portions of the treatment plant with the potential to cause unauthorized releases of wastewater or short circuit treatment process and



cause poor treatment. Several reports cited poor maintenance at the facility RIBs (Rapid Infiltration Basins) with significant vegetation overgrowth and signs of overflow. Compliance reports also indicated several dry monitoring well incidents which indicated seawater impact at the infiltration basin site. The site has been inspected twice so far in 2021 for odor complaints with unsatisfactory finding on each inspection and the facility received a Consent Order in August of 2021 for failure to complete “Improvement Actions” listed in the current permit, failure to address significant corrosion at the steel plants, objectional odors that were notable beyond the boundaries of the property, failure to address the issues noted with vegetation overgrowth in the RIBs, and failure to meet operator staffing requirements of the permit.

CSWR-Florida is in the process of acquiring the North Peninsula system and intends to make improvements to address the compliance issues and to ensure that the system can provide safe and reliable service to the customers it serves. Tanks will undergo repair and/or replacement where appropriate to ensure that no unauthorized discharge of partially treated waste can occur and to extend the life of the plant. Aeration equipment including blowers, diffusers, air headers, air lifts, etc. will be evaluated and repaired or replaced as appropriate to ensure that the facility can adequately and reliably treat wastewater to permitted limits. Excess sludge and vegetation will be removed from the RIBs and any rehabilitation needed at the RIBs will be completed to ensure proper function and maintenance moving forward. General facility repairs and cleanup will also occur to ensure safe operation of the facility, including clearing nuisance vegetation, repairing fencing, and clearly marking the facility to prevent the public from encountering untreated wastewater or treatment equipment. CSWR-Florida will also ensure that all staffing requirements are met to address the ongoing compliance issues.

- 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 above.

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 North Peninsula 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 North Peninsula, 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. Using the O&M expenses from the Utility's 2020 Annual Report, please compare and identify projected cost savings to operating expenses that will be achieved through CSWR's acquisition of North Peninsula Utilities Corporation's (North Peninsula) systems.

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.

- 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 North Peninsula. 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 that have 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; and
- 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.

DR 4. In its application, the Utility stated the purchase price for the North Peninsula 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.

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: Mary Wessling, Esq., Office of Public Counsel (wessling.mary@leg.state.fl.us)
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