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June 6, 2022

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. 20220019-WU - Application for transfer of water facilities of Neighborhood Utilities, Inc. and Water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County.

Dear Ms. Maloy:

CSWR-Florida Utility Operating Company, LLC (“CSWR-FL UOC” or the “Company”) submits the following responses to Staff’s May 18, 2022 Third Data Request.

1. In response to data request 1, question 2, the Utility provided orders, both in Florida and other original cost states, where a request to defer the decision on a positive acquisition adjustment was approved. For those utilities, please provide all subsequent orders where the positive acquisition adjustments were approved or denied.

CSWR RESPONSE: The Company has no subsequent orders to provide where the acquisition adjustments were either expressly confirmed or denied.

2. In response to data request 2, question 2, the Utility provided an attachment titled “DR 2.1 - Systems Purchased.” This attachment contained some information on the systems but did not include the requested net book value at the time of acquisition, purchase price paid, the amount of the positive acquisition adjustment, if any, that was approved by the respective regulatory body, or the Order No. associated with that decision approving or denying an acquisition adjustment. For each of the systems included in "DR 2.1 - Systems Purchased" please provide the information requested above.

CSWR RESPONSE: Attachment DR 2.1 identifies approximately 170 systems purchased by CSWR affiliates other than the applicant in this docket, CSWR-FL UOC. These systems are all



located in states other than Florida. CSWR-FL UOC objects to compiling and producing the requested data relating to out of state systems acquired by the Company's affiliates as irrelevant to any issue in this docket and unduly burdensome. Moreover, in most of the other states in which CSWR affiliates operate, the purchase price is confidential.

Rule 25-30.0371(2), F.A.C., relating to acquisition adjustments, provides that “[i]n determining whether extraordinary circumstances have been demonstrated, the Commission shall consider evidence provided to the Commission such as anticipated improvements in quality of service, anticipated improvements in compliance with regulatory mandates, anticipated rate reductions or rate stability over a long-term period, anticipated cost efficiencies, and whether the purchase was made as part of an arms-length transaction.” In attachment DR 1.2, CSWR-FL UOC referenced approximately twenty (20) orders in which a state commission has at least tentatively granted CSWR affiliates a positive acquisition adjustment, or the functional equivalent of an acquisition adjustment. In many more dockets, the issue of an acquisition adjustment or the functional equivalent of an acquisition adjustment, has been expressly deferred to a subsequent rate case. Among those states in which CSWR affiliates operate, Florida is the only state to date to require that the determination of an acquisition adjustment be made in the transfer docket and to have denied a requested acquisition adjustment. Regardless, it is unclear how acquisition adjustments granted by other state commissions to other CSWR affiliates, or the other related data points sought by this request, bear on the issue of whether extraordinary circumstances are present with CSWR-FL UOC's acquisition of Neighborhood Utilities, making a positive acquisition adjustment appropriate.

3. Regarding Order No. 24259 in Docket No. 900928, is it true that the Utility was granted an emergency motion to defer setting rate base due to the systems urgent need of improvements? Do you believe the circumstances from this 1992 case also apply to this docket?

CSWR RESPONSE: Yes and yes. In Order No. 24259 in Docket No. 900928 the Commission first noted that the acquiring utility “has the expertise and capital necessary to make the required improvements and to provide the customers with a good quality of service” and then deferred the issues of rate base and whether to grant an acquisition adjustment to a subsequent rate case. In deferring, the Commission concluded that “there is a need to process this transfer as quickly as possible due to the urgent need for improvements to the system” and that the acquiring utility “has agreed to make the improvements upon approval of the transfer.”

Similarly in this docket, CSWR-FL UOC has the expertise and capital necessary to make the required improvements, which are urgently needed. As detailed in the Engineering report attached to the Application as Exhibit H, significant repairs to the system are urgently needed. Every major system component is in either poor or fair condition. While deferral of the establishment of rate



base and an acquisition adjustment to a rate case has no adverse impact on customers, deferral of long overdue repairs and maintenance certainly does have such an impact. When there is a company like CSWR-FL UOC ready, willing and able to invest the resources necessary to refurbish water systems that have long been neglected, that activity should be encouraged and supported as it was in the referenced Order 24259.

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: Charles Rehwinkel, Esq., Office of Public Counsel (rehwinkel.charles@leg.state.fl.us)
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