

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** October 27, 2023

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Engineering (M. Watts, Ramos) *TB*  
Division of Accounting and Finance (Sewards, Thurmond) *ALM*  
Division of Economics (Bruce, Hudson) *CP*  
Office of the General Counsel (Watrous) *JSC*

**RE:** Docket No. 20230033-SU – Application for transfer of wastewater Certificate No. 562-S of TKCB, Inc. to CSWR-Florida Utility Operating Company, LLC, in Brevard County.

**AGENDA:** 11/09/23 – Regular Agenda – Proposed Agency Action for Issue 2 – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** La Rosa

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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### Case Background

TKCB, Inc. (TKCB or Utility) is a Class C utility currently providing wastewater service to 295 mobile home lots in the Sun Lake Village Estates manufactured home community (formerly Sun Lake Estates) in Cocoa, Florida. The Utility is located in the St. Johns River Water Management District. Water service is provided by the City of Cocoa. In its 2022 Annual Report, TKCB reported a net operating loss of \$17,868. The Utility's last rate case was in 2021.<sup>1</sup>

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<sup>1</sup> Order No. PSC-2021-0435-PAA-SU, issued November 22, 2021, in Docket No. 20210120-SU, *In re: Application for a limited alternative rate increase proceeding, by TKCB, Inc.*

In 2011, the Florida Public Service Commission (Commission) granted TKCB an original wastewater certificate in Brevard County.<sup>2</sup> The certificated service territory has not been amended since that time.

On March 13, 2023, CSWR-Florida Utility Operating Company, LLC (CSWR-TKCB or Buyer) filed an application with the Commission for the transfer of Certificate No. 562-S from TKCB to CSWR-TKCB in Brevard County. The sale will close after the Commission votes to approve the transfer. The Office of Public Counsel's intervention was acknowledged by Order No. PSC-2023-0139-PCO-SU, issued April 21, 2023.

This recommendation addresses the transfer of the wastewater system and Certificate No. 562-S, and the appropriate net book value (NBV) of the wastewater system for transfer purposes. The Commission has jurisdiction pursuant to Sections 367.071 and 367.081, Florida Statutes (F.S.).

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<sup>2</sup> Order No. PSC-2011-0522-FOF-SU, issued November 7, 2011, in Docket No. 20100442-SU, *In re: Application for certificate to provide wastewater service in Brevard County by TKCB.*

## Discussion of Issues

**Issue 1:** Should the transfer of Certificate No. 562-S in Brevard County from TKCB, Inc. to CSWR-Florida Utility Operating Company, LLC be approved?

**Recommendation:** Yes. The transfer of the wastewater system and Certificate No. 562-S is in the public interest and should be approved effective the date that the sale becomes final. The resultant Order should serve as the Buyer's certificate and should be retained by the Buyer. The Buyer should submit the executed and recorded deed for continued access to the land upon which its facilities are located, and a copy of its signed and executed contract for sale to the Commission within 60 days of the Order approving the transfer, which is final agency action. If the sale is not finalized within 60 days of the transfer Order, the Buyer should file a status update in the docket file. The Utility's existing rates, as shown on Schedule No. 4, should remain in effect until a change is authorized by this Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). The Seller is current with respect to annual reports and regulatory assessment fees (RAFs) through December 31, 2022. The Buyer should be responsible for filing annual reports and paying RAFs for all future years. (M. Watts, Thurmond, Bruce)

**Staff Analysis:** On March 13, 2023, CSWR-TKCB filed an application for the transfer of Certificate No. 562-S from TKCB to CSWR-TKCB in Brevard County. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale to CSWR-TKCB will become final after Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

### Noticing, Territory, and Land Ownership

CSWR-TKCB provided notice of the application pursuant to Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed, and the time for doing so has expired. The application contains a description of the service territory, which is appended to this recommendation as Attachment A. In its application, CSWR-TKCB provided a copy of an unrecorded warranty deed as evidence that the Buyer will have rights to long-term use of the land upon which the treatment facilities are located pursuant to Rule 25-30.037(2)(s), F.A.C. CSWR-TKCB committed to providing the executed and recorded deed to the Commission within 60 days after the closing of the sale.

### Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(i) and (j), F.A.C., the application contains a statement regarding financing and a copy of the purchase agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. There are no guaranteed revenue contracts or customer advances of TKCB that must be disposed of with regard to the transfer. CSWR-TKCB will review all leases and developer agreements and will assume or renegotiate those agreements on a case-by-case basis prior to closing. Any customer deposits will be refunded to customers by the Seller prior to the closing. According to the purchase and sale agreement, the total purchase price for the assets is \$425,000. According to the Buyer, the closing has not yet taken place and is dependent on Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

Date: October 27, 2023

### **Facility Description and Compliance**

The TKCB wastewater treatment plant (WWTP) is a 0.099 million gallon per day annual average daily flow (AADF) permitted capacity extended aeration domestic wastewater treatment plant consisting of flow equalization, influent screening, aeration, secondary clarification, filtration, chlorination, and aerobic digestion of bio solids. Chlorinated effluent is discharged to one of four percolation ponds. The collection system consists of gravity mains served by two lift stations.

Staff reviewed the most recent Florida Department of Environmental Protection (DEP) compliance evaluation inspection (CEI) for the WWTP. The DEP's October 31, 2019 CEI noted the following deficiencies. First, the Discharge Monitoring Reports (DMR) for the review period (September 1, 2018 to September 30, 2019) revealed one exceedance of the permitted allowable AADF in October 2018. Second, the CEI noted three deficiencies with respect to the Utility's wastewater permit compliance schedule. The Utility failed to remove grit from the surge tank, repair tank leaks, and register for and begin using the DEP's electronic system for filing its DMRs. On April 10, 2020, the DEP notified TKCB that it had corrected all of the deficiencies noted in the October 31, 2019 CEI.

### **Technical and Financial Ability**

Pursuant to Rule 25-30.037(2)(l) and (m), F.A.C., the application contains statements describing the technical and financial ability of the Buyer to provide service to the proposed service area. As referenced in the transfer application, the Buyer will fulfill the commitments, obligations, and representations of the Seller with regards to utility matters. CSWR-TKCB's application states that it owns and operates water and wastewater systems in Florida, Missouri, Arkansas, Kentucky, Louisiana, Texas, Mississippi, Arizona, North Carolina, South Carolina, and Tennessee that currently serve more than 136,000 water and 210,600 wastewater customers.

The Commission has also approved CSWR-Florida Utility Operating Company, LLC's purchase of nine Florida certificated utilities in prior dockets.<sup>3</sup>

The Buyer plans to use qualified and licensed contractors to provide routine operation and maintenance of the systems, as well as to handle billing and customer service. Staff reviewed the financial statements of CSWR-TKCB and believes the Buyer has documented adequate resources to support the Utility's wastewater operations. Based on the above, the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

### **Rates and Charges**

TKCB's wastewater rates were last approved in a 2021 limited alternative rate increase proceeding. Subsequently, the rates were amended by a price index in June 2022. The Utility also had a rate decrease to remove expired rate case expense amortization in 2023. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a Utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, staff recommends that the Utility's existing rates shown on Schedule No. 4, remain in effect, until a change is authorized by this Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C.

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<sup>3</sup> See Order No. PSC-2022-0115-PAA-WS, issued March 15, 2022, in Docket No. 20210093-WS, *In re: 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*; Order No. PSC-2022-0120-PAA-WU, issued March 18, 2022, in Docket No. 20210095-WU, *In re: 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*; Order No. PSC-2022-0116-PAA-SU, issued March 17, 2022, in Docket No. 20210133-SU, *In re: 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*; Order No. PSC-2022-0364-PAA-WU, issued October 25, 2022, in Docket No. 20220019-WU, *In re: 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*; Order No. PSC-2023-0216-PAA-SU, issued July 27, 2023, in Docket No. 20220149-SU, *In re: Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County*; Order No. PSC-2023-0245-PAA-WS, issued August 17, 2023, in Docket No. 20220063-WS, *In re: Application for transfer of water and wastewater facilities of Tradewinds Utilities, Inc., water Certificate No. 405-W, and wastewater Certificate No. 342-S to CSWR-Florida Utility Operating Company, LLC, in Marion County*; Order No. PSC-2023-0257-PAA-SU, issued August 21, 2023, in Docket No. 20220061-SU, *In re: Application for transfer of wastewater Certificate No. 318-S from BFF Corp to CSWR-Florida utility Operating Company, LLC, in Marion County*; Order No. PSC-2023-0266-PAA-WS, issued August 22, 2023, in Docket No. 20220062-WS, *In re: Application for transfer of water and wastewater facilities of C.F.A.T. H2O, Inc., water Certificate No. 552-W, and wastewater Certificate No. 481-S to CSWR-Florida Utility Operating Company, LLC, in Marion County*; Order No. PSC-2023-0305-PAA-WS, issued October 13, 2023, in Docket No. 20220064-WS, *In re: Application for transfer of water and wastewater facilities of Tymber Creek Utilities, Inc., water Certificate No. 303-W, and wastewater Certificate No. 252-S to CSWR-Florida Utility Operating Company, LLC, in Volusia County*.

### **Regulatory Assessment Fees and Annual Report**

Staff has verified that the Utility is current on the filing of annual reports and RAFs through December 31, 2022. The Buyer will be responsible for filing the Utility's annual reports and paying RAFs for all future years.

### **Conclusion**

Based on the foregoing, staff recommends that the transfer of the wastewater system and Certificate No. 562-S is in the public interest and should be approved effective the date that the sale becomes final. The resultant Order should serve as the Buyer's certificate and should be retained by the Buyer. The Buyer should submit the executed and recorded deed for continued access to the land upon which its facilities are located, and a copy of its signed and executed contract for sale to the Commission within 60 days of the Order approving the transfer, which is final agency action. If the sale is not finalized within 60 days of the transfer Order, the Buyer should file a status update in the docket file. The Utility's existing rates, as shown on Schedule No. 4, should remain in effect until a change is authorized by this Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The Seller is current with respect to annual reports and RAFs through December 31, 2022. The Buyer should be responsible for filing annual reports and paying RAFs for all future years.

**Issue 2:** What is the appropriate net book value for CSWR-Florida Utility Operating Company LLC's wastewater system for transfer purposes?

**Recommendation:** For transfer purposes, the NBV of the wastewater system is \$127,878 as of March 31, 2023. An acquisition adjustment should not be included in rate base. Within 90 days of the date of the Consummating Order, CSWR-TKCB should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the Utility's 2023 Annual Report when filed. (Thurmond)

**Staff Analysis:** Rate base was last established as of September 30, 2018, by Order No. PSC-2019-0362-PAA-SU.<sup>4</sup> The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. The Utility's NBV has been updated to reflect balances as of March 31, 2023.<sup>5</sup> Staff's recommended NBV, as described below, is shown on Schedule No. 1.

### **Utility Plant in Service (UPIS)**

According to the Utility's general ledger, the total UPIS balance was \$96,163 as of March 31, 2023. Staff traced additions and retirements since the Utility's last order and found no adjustments were necessary. Accordingly, staff recommends a total UPIS balance of \$96,163 as of March 31, 2023.

### **Land**

The Utility's general ledger reflected a land balance of \$36,203 as of March 31, 2023. There have been no additions to land since the Utility's last order. Accordingly, staff recommends a total land balance of \$36,203 as of March 31, 2023.

### **Accumulated Depreciation**

According to the Utility's general ledger, the total accumulated depreciation balance was \$5,143 as of March 31, 2023. Staff auditors recalculated depreciation accruals using the depreciation rates established by Rule 25-30.140, F.A.C. As a result, staff recommends that the accumulated depreciation balance be decreased by \$655 as of March 31, 2023. Accordingly, staff recommends a total accumulated depreciation balance of \$4,488 as of March 31, 2023.

### **Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC**

According to the Utility's general ledger, the CIAC and accumulated amortization of CIAC both had balances of \$0 as of March 31, 2023. Staff reconciled both balances from the date of the Utility's last order to March 31, 2023, and found no adjustments necessary. Accordingly, staff

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<sup>4</sup> Order No. PSC-2019-0362-PAA-SU, issued August 26, 2019, in Docket No. 20180218-SU, *In re: Application for a staff-assisted rate case in Brevard County by TKCB, Inc.*

<sup>5</sup> Net book value is calculated through the date of the closing. According to the Utility's application, the closing will not occur until after the transaction receives Commission approval. Therefore, staff is relying on the most current information provided to staff auditors at the time of the filing.

Date: October 27, 2023

recommends total CIAC and Accumulated Amortization of CIAC balances of \$0 and \$0, respectively, as of March 31, 2023.

### **Net Book Value**

The Utility's general ledger reflected an NBV of \$127,223 as of March 31, 2023. Based on the adjustments described above, staff recommends an NBV of \$128,878 as of March 31, 2023. Staff's recommended NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts balances for UPIS and accumulated depreciation are shown on Schedule No. 1 as of March 31, 2023.

### **Acquisition Adjustment**

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The Utility and its assets were purchased for \$425,000. As stated above, staff has determined the appropriate NBV total to be \$127,878. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. Under the original application, the Utility requested a positive acquisition adjustment be granted for the difference between the purchase price and the NBV. However, on September 1, 2023, the Utility withdrew its request for a positive acquisition adjustment. As such, staff recommends no acquisition adjustment is warranted.

### **Conclusion**

Based on the above, staff recommends an NBV of \$127,878 as of March 31, 2023, for transfer purposes. An acquisition adjustment should not be included in rate base. Within 90 days of the date of the Consummating Order, the Buyer should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the Utility's 2023 Annual Report when filed.



**Issue 3:** Should this docket be closed?

**Recommendation:** Yes. If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the Order, a Consummating Order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed. The Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, that the Buyer has submitted the executed and recorded warranty deed, that the Buyer has submitted a copy of its application for permit transfer to the DEP, and that the Buyer has submitted a signed and executed copy of its contract for sale within 60 days of the Commission's Order approving the transfer. (Watrous)

**Staff Analysis:** If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the Order, a Consummating Order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed. The Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, that the Buyer has submitted the executed and recorded warranty deed, that the Buyer has submitted a copy of its application for permit transfer to the DEP, and that the Buyer has submitted a signed and executed copy of its contract for sale within 60 days of the Commission's Order approving the transfer.

CSWR-Florida Utility Operating Company, LLC  
Brevard County  
Sun Lake Village Estates Wastewater Service Area

A parcel of land lying in the East ½ of Section 1, Township 24 South, Range 35 East, being a portion of Canaveral Groves Subdivision, Phases 1 and 2, being more particularly described as follows:

Commence at the North ¼ corner of said Section 1 and run South 01° 01' 56" W along the West line of the Northeast ¼, a distance of 50 feet to a point on the North right-of-way line of Canaveral Groves Boulevard, the Point of Beginning; Thence continue South 01° 01' 56" West along said West line, a distance of 1,362.29 feet; thence South 88° 45' 34" East, a distance of 320 feet more or less; thence South 1,650 feet more or less to a point 150 feet South of Emerald Lakes Drive; thence East 1,000 feet more or less to the West right-of-way line of Sharpes Lake Avenue; thence Northwesterly along said right-of-way line, a distance of 1,700 feet more or less to a point; thence North a distance of 450 feet more or less to a point on the South right-of-way line of Lake Erie Place; thence South 88° 45' 34" East a distance of 560 feet more or less to a point on the East right-of-way line of Lake Superior Drive; thence North 01° 14' 26" East a distance of 50 feet; thence South 88° 45' 34" East a distance of 70.25 feet; thence North 01° 14' 48" East a distance of 108.18 feet; thence South 88° 29' 58" East a distance of 25 feet; thence North 01° 14' 48" East a distance of 1,225.69 feet to the Southerly right-of-way line of Canaveral Groves Boulevard; thence North 88° 28' 48" West a distance of 1,338.84 feet to the Point of Beginning.

**FLORIDA PUBLIC SERVICE COMMISSION  
Authorizes  
CSWR-Florida Utility Operating Company, LLC  
pursuant to  
Certificate Number 562-S**

to provide wastewater service in Brevard County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-11-0522-FOF-SU *	11/7/ 2011 *	20100442-SU 20230033-SU	Original Certificate Transfer

**\*Order Number and date to be provided at time of issuance.**

**CSWR-Florida Utility Operating Company, LLC  
TKCB, Inc.**

**Schedule of Net Book Value as of March 31, 2023**

<u>Description</u>	<u>Balance Per Utility</u>	<u>Adjustments</u>		<u>Staff</u>
Utility Plant in Service	\$96,163	\$-		\$96,163
Land & Land Rights	36,203	-		36,203
Accumulated Depreciation	(5,143)	655	A	(4,488)
CIAC	-	-		-
Amortization of CIAC	=	=		=
Total	<u>\$127,223</u>	<u>\$655</u>		<u>\$127,878</u>

**CSWR-Florida Utility Operating Company, LLC  
TKCB, Inc.**

**Explanation of Adjustments to Net Book Value as of March 31, 2023**

<b>Explanation</b>	<b>Amount</b>
A. Accumulated Depreciation To reflect the appropriate balance.	<u>\$655</u>
Total Adjustments to Net Book Value as of March 31, 2023	<u>\$655</u>

**CSWR-Florida Utility Operating Company, LLC  
TKCB, Inc.**

**Schedule of Staff's Recommended Account Balances as of March 31, 2023**

<b>Account No.</b>	<b>Description</b>	<b>UPIS</b>	<b>Accumulated Depreciation</b>
354	Structures & Improvements	\$6,203	(\$795)
361	Collection Sewers - Gravity	2,000	(244)
370	Receiving Wells	42,158	1,292
380	Treatment and Disposal Equipment	<u>45,802</u>	<u>(4,742)</u>
	Total	<u>\$96,163</u>	<u>(\$4,488)</u>

**CSWR – Florida Utility Operating Company, LLC.  
TKCB, Inc.**

**Monthly Wastewater Rates**

**Residential Service**

Base Facility Charge by Meter Size

All Meter Sizes \$20.25

Charge Per 1,000 gallons – Residential Service

6,000 gallon cap \$7.14

**General Service**

Base Facility Charge by Meter Size

5/8" x 3/4" \$20.25

3/4" \$30.38

1" \$50.63

1 1/2" \$101.25

2" \$162.00

3" \$324.00

4" \$506.25

6" \$1,012.50

Charge Per 1,000 gallons

\$8.55