

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water and  
wastewater rates in Charlotte, Highlands,  
Lake, Lee, Marion, Orange, Pasco, Pinellas,  
Polk, and Seminole Counties by Utilities, Inc.  
of Florida

DOCKET NO. 20240068-WS

**PREHEARING STATEMENT OF SUNSHINE WATER SERVICES COMPANY**

Pursuant to the Order Establishing Procedure, Order No. PSC-2024-0259-PCO-WS issued July 23, 2024, as modified by Order No. PSC-2024-0437-PCO-WS issued October 2, 2024, Sunshine Water Services Company (“SWS”), by and through its undersigned counsel, files its Prehearing Statement as follows:

**A. All Known Witnesses**

SWS relies on the prefiled testimony of and intends to call the following witnesses in its direct and rebuttal case (which may not be presented in this order):

<b><u>Witness</u></b>	<b><u>Subject Matter</u></b>	<b><u>Issues Numbers</u></b>
<b><u>Direct</u></b>		
Shawn M. Elicegui*	Merger Deferral Accounts	42
Deborah D. Swain	Financial and Accounting Matters	3-7, 13-26, 37, 43
Dante M. DeStefano	Financial and Accounting Matters	3-5, 20-21, 25-28, 30, 38-41
Frank Seidman	Used and Useful Plant	6-12
Seán Twomey	Operations & Pro Forma Projects	1, 2, 4
<b><u>Rebuttal</u></b>		
Shawn M. Elicegui*	Merger Deferral Accounts	42
Deborah D. Swain	Various Financial Matters, Repression	3-7, 13-26, 37, 43

Dante M. DeStefano	OPC Proposed Adjustments and Staff Audit	3-5, 20-21, 25-28, 30, 38-41
Seán Twomey	Operations & Pro Forma Projects	1, 2, 4

\*Mr. EliceGUI is adopting the prefiled testimony of Steven M. LubertoZZi and all sponsored discovery responses except Staff ROG set 11, #134-136 and OPC ROG set 6 #117, which are adopted by Mr. DeStefano.

SWS reserves the right to present additional witnesses to address issues which have not been previously raised by the parties, the Commission Staff, or the Commissioners.

**B. All Known Exhibits**

SWS has identified and intends to sponsor the following exhibits:

<u>Witness</u>	<u>Proffered By</u>	<u>Exhibit No.</u>	<u>Description</u>
<b><u>Direct</u></b>			
Dante M. DeStefano	SWS	DMD-1 Confidential	Cost Allocation Manual
Dante M. DeStefano	SWS	DMD-2	Cost detail supporting Meter Installation Fee
Dante M. DeStefano	SWS	DMD-3	Billing Analysis (E-14 Schedules)
Dante M. DeStefano	SWS	DMD-4	Allocation Schedules
Dante M. DeStefano	SWS	DMD-5	Operating Agreement between Water Service Corp and SWS
Deborah D. Swain	SWS	DDS-1	MFRs – Financial, Rate & Engineering (except E-14, and F Schedules)
Deborah D. Swain	SWS	DDS-2	Reconciliation Schedules
Frank Seidman	SWS	FS-1	Education & Experience
Frank Seidman	SWS	FS-2	Summary of Used & Useful, EUW and Excess I & I
Seán Twomey	SWS	ST-01	Resume
Seán Twomey	SWS	ST-02	Summary of Pro Forma Projects

Seán Twomey	SWS	ST-03	Tierra Verde 13 <sup>th</sup> Street Bridge FM Replacement
Seán Twomey	SWS	ST-04	Tierra Verde Madonna Bridge Line Relocation
Seán Twomey	SWS	ST-05	Cypress Lakes – VT SCADA 16 RTU Installations
Seán Twomey	SWS	ST-06	Eagle Ridge Headworks Improvements
Seán Twomey	SWS	ST-07	Cross Creek Compliance Improvements
Seán Twomey	SWS	ST-08	Mid-County Riviera Estates LS, FM, and GM Crossing Removal
Seán Twomey	SWS	ST-09	Mid-County Wilshire Manhole Replacement
Seán Twomey	SWS	ST-10	LUSI Construction 2nd Lower Floridan Well
Seán Twomey	SWS	ST-11	LUSI CFX US 27 Sewer Relocates
Seán Twomey	SWS	ST-12	LUSI CFX US 27 Water Relocates
Seán Twomey	SWS	ST-13	LUSI CR561 WTP Upgrades
Seán Twomey	SWS	ST-14	Weathersfield WTP Generator Replacement
Seán Twomey	SWS	ST-15	Weathersfield Hydro Tank Replacement
Seán Twomey	SWS	ST-16	Golden Hills WTP Generator Replacement
Seán Twomey	SWS	ST-17	Sanlando F5 Force Main
Seán Twomey	SWS	ST-18	Sanlando Wekiva EQ Aeration Improvements
Seán Twomey	SWS	ST-19	Pennbrooke Water Quality Improvements
Seán Twomey	SWS	ST-20	AMI Meter Installation Project
Seán Twomey	SWS	ST-21	Vactor Truck
Seán Twomey	SWS	ST-22	Sandalhaven Force Main Relocation
Seán Twomey	SWS	ST-23	Buena Vista Lane Water Main Relocation
Seán Twomey	SWS	ST-24	Orangewood Remediation PFAS
Seán Twomey	SWS	ST-25	Curlew Creek Lift Station Gravity Main Rehabilitation
Seán Twomey	SWS	ST-26	UIF Jansen Water Main Relocation

<b><u>Rebuttal</u></b>			
Deborah D. Swain	SWS	DDS-2	Revised MFRs – Financial, Rate & Engineering
Seán Twomey	SWS	ST-03 Updated	Tierra Verde 13th Street Bridge FM Replacement
Seán Twomey	SWS	ST-06 Updated	Eagle Ridge Headworks Improvements
Seán Twomey	SWS	ST-08 Updated	Mid-County Riviera Estates LS, FM, and GM Crossing Removal
Seán Twomey	SWS	ST-10 Updated	LUSI Construction 2nd Lower Floridan Well
Seán Twomey	SWS	ST-11 Updated	LUSI CFX US 27 Sewer Relocates
Seán Twomey	SWS	ST-12 Updated	LUSI CFX US 27 Water Relocates
Seán Twomey	SWS	ST-13 Updated	LUSI CR561 WTP Upgrades
Seán Twomey	SWS	ST-14 Updated	Weathersfield WTP Generator Replacement
Seán Twomey	SWS	ST-16 Updated	Golden Hills WTP Generator Replacement
Seán Twomey	SWS	ST-17 Updated	Sanlando F5 Force Main
Seán Twomey	SWS	ST-18 Updated	Sanlando Wekiva EQ Aeration Improvements
Seán Twomey	SWS	ST-19 Updated	Pennbrooke Water Quality Improvements
Seán Twomey	SWS	ST-20 Updated	AMI Meter Installation Project
Seán Twomey	SWS	ST-22 Updated	Sandalhaven Force Main Relocation
Seán Twomey	SWS	ST-23 Updated	Buena Vista Lane Water Main Relocation
Seán Twomey	SWS	ST-25 Updated	Curlew Creek Lift Station Gravity Main Rehabilitation

Seán Twomey	SWS	ST-26 Updated	UIF Jansen Water Main Relocation
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SWS may utilize other documents as exhibits at the time of hearing, either during cross examination or as further impeachment or rebuttal exhibits, and the precise identification of such documents cannot be determined at this time.

**C. Statement of SWS’s Basic Position**

In order to allow SWS recover its reasonable and prudent expenses and to have an opportunity to earn a reasonable return on its property used and useful in the public service, it is entitled to annual water operating revenues in the amount of \$28,013,305 and annual wastewater operating revenues in the amount of \$34,299,872. However, SWS proposes the water rate increase be limited so that it does not result in more than a 19.9% increase.

**D. Questions of Fact that SWS Considers at Issue, the Position on Each, and the Witness Testifying on Each Issue**

**Quality of Service/ Infrastructure and Operating Conditions**

**Issue 1:** Is the overall quality of service provided by the Utility satisfactory, and, if not, what systems have quality of service issues and what action should be taken by the Commission?

Position: The quality of service is satisfactory for all systems (Twomey).

**Issue 2:** Are the infrastructure and operating conditions of the Utility’s water and wastewater systems in compliance with Florida Department of Environmental Protection regulations?

Position: Yes, they are currently in compliance. (Twomey)

**Rate Base**

**Issue 3:** Should any adjustments be made to test year plant-in-service balances?

**Position:** Water - (\$18,428,130); Wastewater - \$18,428,130 to allocate common plant from water to wastewater; and Water - (\$29,570); Wastewater - (\$27,496) for audit adjustments to the test year land balances. (DeStefano & Swain)

**Issue 4:** Should adjustments be made to the Utility's pro forma plant additions?

**Position:** Yes, adjustments should be made to each pro forma plant addition where the expenditures differ from the amounts identified in the MFRs (Twomey, DeStefano & Swain).

**Issue 5:** What are the appropriate plant retirements to be made in this docket?

**Position:** Water - \$2,317,753; Wastewater - \$1,964,052 (Swain, DeStefano).

**Issue 6:** Do any water systems have excessive unaccounted for water and, if so, what systems and what adjustments are necessary, if any?

**Position:** Yes, as follows: Lake Placid, 9.3%; LUSI (Four Lakes), 11.2%; Golden Hills, 0.9%; Labrador, 3.3%; Summertree, 4.5%; Orangewood, 8.7%; Bear Lake, 5.3%; Little Wekiva, 1.4%. Adjustments should be made to purchased power, chemicals and purchased water as appropriate. (Swain, Seidman).

**Issue 7:** Do any wastewater systems have excessive infiltration and/or inflow and, if so, what systems and what adjustments are necessary, if any?

**Position:** Yes, as follows: Ravenna Park, 41.27%. Adjustments should be made to purchased power, chemicals and purchased wastewater as appropriate. (Swain, Seidman).

**Issue 8:** What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

**Position:** All water treatment and related facilities are 100% used and useful (Seidman).

**Issue 9:** What are the appropriate used and useful percentages for the water storage and related facilities of each water system?

**Position:** All water storage and related facilities are 100% used and useful (Seidman).

**Issue 10:** What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

**Position:** All water distribution and related facilities are 100% used and useful (Seidman).

**Issue 11:** What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

**Position:** All wastewater treatment and related facilities are 100% used and useful except as follows: Crownwood, 74.78%. In Sandalhaven, the used and useful percentage of purchased

capacity should be 42.24%, the force main, master lift station structure, and the pumping equipment should be 100% (Seidman).

**Issue 12:** What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

**Position:** All collection lines are 100% used and useful (Seidman).

**Issue 13:** Should any adjustments be made to test year accumulated depreciation?

**Position:** Yes. Water - \$(10,321,881); Wastewater - \$8,977,332 (Swain).

**Issue 14:** Should any adjustments be made to test year CIAC balances?

**Position:** No. (Swain).

**Issue 15:** Should any adjustments be made to test year accumulated amortization of CIAC?

**Position:** Yes. Water – (\$5,360); Wastewater – (\$2,845,039) (Swain).

**Issue 16:** What is the appropriate working capital allowance?

**Position:** Water - \$2,069,513; Wastewater - \$2,930,182 (Swain).

**Issue 17:** What is the appropriate rate base for the adjusted December 31, 2023, test year?

**Position:** Water - \$85,564,097; Wastewater - \$104,950,629 (Swain).

### **Cost of Capital**

**Issue 18:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

**Position:** \$5,829,204, plus \$4,969,273 in TCJA-related liability (Swain).

**Issue 19:** What is the appropriate amount of customer deposits to include in the capital structure?

**Position:** \$319,453 (Swain).

**Issue 20:** What is the appropriate cost rate for short-term debt for the test year?

**Position:** 8.25% (Swain & DeStefano)

**Issue 21:** What is the appropriate cost rate for long-term debt for the test year?

Position: Fixed: 4.92%, Variable: 7.51% (Swain & DeStefano)

**Issue 22:** What is the appropriate return on equity (ROE) for the test year?

Position: 10.36% (Swain).

**Issue 23:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

Position: 7.493% (Swain).

### **Net Operating Income**

**Issue 24:** What are the appropriate test year revenues?

Position: Water - \$22,918,286; Wastewater - \$29,617,000 (Swain).

**Issue 25:** What is the appropriate amount of rate case expense?

Position: \$676,030 adjusted for updated information provided in discovery responses, with 51.8168% allocated to water revenues and 48.1832% allocated to wastewater revenues. (DeStefano & Swain)

**Issue 26:** Should any adjustment be made to the Utility's proposed pro forma expense?

Position: Yes, if a repression adjustment is made to wastewater rates, an adjustment to wastewater expenses totaling \$(35,770) for purchased wastewater, sludge disposal, purchased power and chemical expenses should be made. (Swain & DeStefano).

**Issue 27:** Should any adjustment be made to the Utility's proposed management expenses?

Position: No. (DeStefano)

**Issue 28:** Should any further adjustments be made to the Utility's test year O&M expenses?

Position: Yes. Water - (\$100,047) plus 43,442 audit adjustments and (\$289,946) OPC adjustments and \$6,993 for repression; Wastewater - (\$140,229) plus \$42,383 audit adjustments and (\$299,458) OPC adjustments and (\$6,993) for repression (DeStefano & Swain).

**Issue 29:** Should any adjustments be made to test year taxes other than income?

Position: Yes. Water - \$3,600; Wastewater - \$43,155 (Swain).

**Issue 30:** Should any adjustments be made to test year depreciation expense?



Position: Yes. Water - \$(46,704); Wastewater - \$(317,297) plus 16,229 for audit adjustments (DeStefano & Swain).

**Issue 31:** Should any adjustments be made to test year amortization of CIAC expense?

Position: Yes. Water - \$1,134; Wastewater - \$370,323 (Swain).

**Issue 32:** What is the appropriate amount of test year income taxes?

Position: Water - \$193,522; Wastewater - \$616,464 (Swain).

### **Revenue Requirement**

**Issue 33:** What is the appropriate revenue requirement for the adjusted December 31, 2023 test year?

Position: Annual water operating revenues in the amount of \$28,013,305 and annual wastewater operating revenues in the amount of \$34,299,872. However, SWS proposes the water rate increase be limited so that it does not result in more than a 19.9% increase (Swain).

### **Rate Structure and Rates**

**Issue 34:** What are the appropriate rate structures and rates for the water systems?

Position: The current water rates should be increased by the percentage increase in water revenues, adjusted for repression (Swain).

**Issue 35:** What are the appropriate private fire protection charges?

Position: The fire protection rate should be established pursuant to Rule 25-30.465, F.A.C. (Swain).

**Issue 36:** What are the appropriate rate structures and rates for the wastewater systems?

Position: The current wastewater rates should be increased by the percentage increase in wastewater revenues, adjusted for repression (Swain).

**Issue 37:** What are the appropriate reuse rates?

Position: The current reuse rates should be increased by the percentage increase in wastewater revenues (Swain).

## **Other Issues**

**Issue 38:** What are the appropriate customer deposits?

Position: The amount of customer deposits should be established pursuant to Rule 25-30.311, F.A.C (DeStefano).

**Issue 39:** What are the appropriate miscellaneous service charges?

Position: The miscellaneous service charges should remain unchanged. (DeStefano)

**Issue 40:** What are the appropriate guaranteed revenue charges?

Position: The current guaranteed revenue charges should remain unchanged (DeStefano).

**Issue 41:** What are the appropriate meter installation charges?

Position: Meter installation charges shall be updated for 5/8" x 3/4" meters to \$591.83 and to reflect actual costs for other meters as supported in the Direct Testimony of Mr. DeStefano. (DeStefano)

**Issue 42:** Should the Utility's request to establish deferral accounts related to the Corix Infrastructure Inc. and SW Merger Acquisition Corp. merger be approved?

Position: Yes (Elicegui).

**Issue 43:** What is the appropriate amount by which rates should be reduced after the established effective date to reflect the removal of the amortized rate case expense?

Position: \$169,008, with 51.8168% allocated to water revenues and 48.1832% allocated to wastewater revenues (Swain).

**Issue 44:** Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

Position: Yes.

**Issue 45:** Should this docket be closed?

Position: Yes, after confirmation that adjustments have been made.

## **Contested Issues**

**Issue A.** Is the overall value to a customer provided by the Utility satisfactory, and, if not, what systems have value issues and what action should be taken by the Commission?

Position: There is no statutory or established Commission criteria for determining value, a subjective concept, and further, there is no testimony supporting this concept.

**Issue B:** Are the resulting rates affordable within the meaning of fair, just, and reasonable pursuant to Sections 367.081 and 367.121 Florida Statutes?

Position: Affordability is not a ratemaking principle addressed in the referenced statutes and further there is no testimony in this docket supporting this concept.

**Issue C:** Should the Commission approve the Utility's Advanced Metering Infrastructure (AMI) project?

Position: This is subsumed in Issue 4. If OPC stipulates to the other pro forma projects in Issue 4, then it may make sense to address this Issue separately.

### **E. Questions of Law that SWS Considers at Issue, the Position on Each, and the Witness Testifying on Each Issue**

SWS is not aware of any questions of law not subsumed in the issues above.

### **F. Questions of Policy that SWS Considers at Issue, the Position on Each, and the Witness Testifying on Each Issue**

SWS is not aware of any questions of policy not subsumed in the issues above.

### **G. Stipulated Issues**

None at this time, although it appears from the prefiled testimony that some stipulations are appropriate.

### **H. Pending Motions and Other Open Matters**

SWS has several pending Motions for Temporary Protective Order with regard to certain documents produced in response to OPC and Staff discovery, and an Amended Motion for Protective Order with regard to documents produced in response to Staff discovery.

**I. Statement Identifying Pending Requests for Confidentiality**

SWS is not introducing any confidential documents in this proceeding, and is unaware if OPC or Staff will be introducing any confidential documents produced by SWS in discovery responses.

**J. Objections to Qualifications of Witnesses**

While SWS does not object to the qualifications of the witnesses, it reserves the right to object to any opinions rendered that are beyond the expertise of such witness.

**K. Reasons for Non-Compliance with Order (if any)**

None known at this time.

Respectfully submitted this 15<sup>th</sup> day January, 2025,  
by:

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*/s/ Martin S. Friedman*  
Martin S. Friedman, Esquire

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by  
Electronic mail to the following parties this 15<sup>th</sup> day of January, 2025:

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