

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and wastewater rates in Brevard, Citrus, Duval, Highlands, Marion, and Volusia Counties by CSWR-Florida Utility Operating Company.

DOCKET NO.: 20250052-WS

FILED: May 1, 2026

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel (“OPC”), pursuant to the Florida Public Service Commission (“Commission”) Order Establishing Procedure (“OEP”), Order No. PSC-2025-0457-PCO-WS, issued December 16, 2025, hereby submit this prehearing statement.

APPEARANCES:

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1. **WITNESSES:**

Witness	Subject	Issue Numbers
Ralph Smith	Rate Base, Cost of Capital, NOI, and Revenue Requirement	3, 17, 19, 22, 25, 26, 32 ¹ , 36, 37, 38, 39, Contested Issue B

2. **EXHIBITS:**

Witness	Proffered by	Exhibit No.	Description
Ralph Smith	OPC	RCS-1	Qualifications Appendix
Ralph Smith	OPC	RCS-2	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025 for Water - Consolidated
Ralph Smith	OPC	RCS-3	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025 for Aquarina Utilities - Water
Ralph Smith	OPC	RCS-4	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025 for CFAT H2O Landfair WWTF - Water
Ralph Smith	OPC	RCS-5	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025 for Neighborhood Utilities - Water
Ralph Smith	OPC	RCS-6	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025 for Rolling Oaks Utilities - Water

¹ Issue 32 is only applicable to this witness' scope of testimony if the Prehearing Officer denies Contested Issue B.

Ralph Smith	OPC	RCS-7	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for Sunshine Utilities - Water
Ralph Smith	OPC	RCS-8	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for Tradewinds Village - Water
Ralph Smith	OPC	RCS-9	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for Tymber Creek Utilities - Water
Ralph Smith	OPC	RCS-10	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for Wastewater - Consolidated
Ralph Smith	OPC	RCS-11	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025 for Aquarina Utilities - Wastewater
Ralph Smith	OPC	RCS-12	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for BFF Corp - Wastewater
Ralph Smith	OPC	RCS-13	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for CFAT H2O Landfair WWTF - Wastewater
Ralph Smith	OPC	RCS-14	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for North Peninsula - Wastewater
Ralph Smith	OPC	RCS-15	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for Rolling Oaks Utilities - Wastewater

Ralph Smith	OPC	RCS-16	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for Sebring Ridge Utilities - Wastewater
Ralph Smith	OPC	RCS-17	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for TKCB - Wastewater
Ralph Smith	OPC	RCS-18	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for Tradewinds Village - Wastewater
Ralph Smith	OPC	RCS-19	Revenue Requirement Summary and Adjustment Schedules for the Test Year ended January 31, 2025, for Tymber Creek Utilities - Wastewater
Ralph Smith	OPC	RCS-20	Adjustments to Rate Base and Operating Expenses

3. STATEMENT OF BASIC POSITION:

The burden of proof in a Commission proceeding is always on a utility seeking a rate change and any other parties seeking to change established rates. *Fla. Power Corp. v. Cresse*, 413 So.2d 1187, 1191 (Fla. 1982). CSWR has the burden to prove that the costs for which they seek recovery through the requested rate increase are reasonable and prudent. Accordingly, the Commission may only approve the parts of Central States Water Resources-Florida's (CSWR) rate request which are just reasonable and not unfairly discriminatory.

The Commission has an opportunity in this case to remind Utility companies that Florida is open for business, but not bad business decisions. CSWR has failed to demonstrate that its proposed revenue requirement is just, reasonable, or in the public interest and therefore should be

rejected. OPC expert Ralph Smith has demonstrated that any increase should be limited to no more than \$3,056,866 for water and 232,507 for wastewater.

At its core, this case reflects a fundamental misalignment between CSWR's business model and the needs of its water and wastewater systems. CSWR has pursued an aggressive acquisition strategy focused on purchasing small "distressed" systems and rapidly expanding their footprint, increasing customer bills, and providing minimal service improvements. The evidence in this docket demonstrates that the Company's current practices prioritize growth and the reanimation of previously denied acquisitions adjustments, over quality of service, to the detriment of existing customers.

CSWR's proposed increases are driven in significant part by grossly overpaying on acquisition-related growth that does not reflect prudent investment in utility infrastructure, and which instead shift financial burdens arising from imprudent corporate decisions onto rate payers. Approval of the requested adjustments would undermine the principle of administrative finality, undercut judicial economy, and encourage future attempts to recover transaction-based costs absent clear quantifiable public benefits. An example of this can be found in the purchase of the Sunshine Utility Inc., of Central Florida for approximately 23 times over book value.²

The Company's focus on expansion of rate base has outpaced its ability to effectively manage and operate the systems it already owns. As evidenced by CSWR requesting zero pro forma projects to remediate such "distressed" systems. The Commission's ratemaking determinations must prioritize safe, reliable, at reasonable and prudent costs; not customers subsidizing shareholders through excessive growth in rate base.

² Though not included in this case, this imprudent activity has continued in Docket No. 20250136. CSWR purchased the Rolling Oaks system, which had a depreciated net book value of \$555,680, for \$33,000,000 and requested a positive acquisition adjustment of over \$32,444,319.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS:

Quality of Service

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?

OPC Position: No. At a minimum, the quality of service of CSWR's systems is deficient. The Commission should find these systems have marginal or unsatisfactory quality of service. The Commission should reduce the leverage graph-determined return on equity for the Utility by 25 basis points.

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?

OPC Position: CSWR-Florida has multiple ongoing compliance issues with the Department of Environmental Protection. CSWR's post-acquisition trend of ongoing encounters with the Florida Department of Environmental Protection is indicative of chronic compliance problems.

Rate Base

ISSUE 3: What adjustments, if any, should be made to account for the audit adjustments related to rate base?

OPC Position: The acquisition adjustments of Aquarina, North Peninsula, and Sunshine have not been approved by this Commission and should not be included in Rate Base.

ISSUE 4: Should any adjustments be made to test year plant-in-service balances?

OPC Position: Yes. The record supports that plant-in-service adjustments should be made.

ISSUE 5: Should any adjustments be made to the Utility's pro forma plant additions?

OPC Position: CSWR has no proposed pro forma plant additions in this case. There is no evidence supporting pro forma plant adjustments.

ISSUE 6: What are the appropriate plant retirements to be made in this docket?

OPC Position: Yes. The record supports that adjustments should be made for plant retirements.

ISSUE 7: Do any water systems have excessive unaccounted for water and, if so, what adjustments are necessary, if any?

OPC Position: Yes. The following systems have excessive unaccounted for water: Aquarina (29%), C.F.A.T (16%), Neighborhood (27%), Rolling Oaks (28%), Sunshine Utilities (23%), Tradewinds (78%), and Tymber Creek (24%). Any excessive unaccounted for water for each system determined by the Commission must have applicable corresponding reductions to purchased power, chemicals, and/or purchased water expenses. Appropriate adjustments should be made in issue 32.

ISSUE 8: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what adjustments are necessary, if any?

OPC Position: CSWR has not adequately addressed this issue in its testimony and filing. Any excessive infiltration and inflow for each system determined by the Commission must have applicable corresponding reductions to purchased power, chemicals, and/or purchased wastewater expenses. Appropriate adjustments should be made in issue 32.

ISSUE 9: What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

OPC Position: 100% for each applicable system.

ISSUE 10: What are the appropriate used and useful percentages for the water storage and related facilities of each water system?

OPC Position: The following systems have water storage and related facilities less than 100% used and useful: Aquarina (65.8%), C.F.A.T. (38%), and Neighborhood (53%).

ISSUE 11: What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

OPC Position: 100% for each applicable system.

ISSUE 12: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

OPC Position: The following systems have wastewater treatment and related facilities less than 100% used and useful: Aquarina (49.09%), C.F.A.T. (39%), North Peninsula (52%), Rolling Oaks (55%), Sebring (29%), TKCB (45.45%), and Tymber Creek (47.56%).

ISSUE 13: What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

OPC Position: 100% for each applicable system.

ISSUE 14: Should any adjustments be made to test year accumulated depreciation?

OPC Position: Yes. The record supports that adjustments should be made for test year accumulated depreciation.

ISSUE 15: Should any adjustments be made to test year CIAC balances?

OPC Position: Yes. The record supports that adjustments should be made for test year CIAC balances.

ISSUE 16: Should any adjustments be made to test year accumulated amortization of CIAC?

OPC Position: Yes. The record supports that adjustments should be made for test year for accumulated amortization of CIAC.

ISSUE 17: Should any adjustments be made to the acquisition adjustments included in the test year?

OPC Position: Yes. Acquisition adjustments for Aquarina, North Peninsula, and Sunshine Utilities should be excluded.

ISSUE 18: What is the appropriate working capital allowance?

OPC Position: The appropriate working capital allowance should be derived in accordance with Rule 25-30.433, F.A.C., as applicable given the class size of individual systems.

ISSUE 19: What are the appropriate rate bases for the January 31, 2025, test year?

OPC Position: This is a fall-out issue. Pending the resolution of other issues, the proposed rate bases for water and wastewater are subject to change.

Cost of Capital

ISSUE 20: What amount of accumulated deferred taxes should be approved for inclusion in the capital structure for the test year?

OPC Position: CSWR has no accumulated deferred taxes.

ISSUE 21: What amount and cost rate for customer deposits should be approved for inclusion in the capital structure for the test year?

OPC Position: CSWR has no customer deposits.

ISSUE 22: What amount and cost rate for short-term debt should be approved for inclusion in the capital structure for the test year?

OPC Position: The appropriate cost rate for short-term debt is as reflected in OPC witness Smith Exhibits RCS-2 and RCS-10, Schedule D.

ISSUE 23: What amount and cost rate for long-term debt should be approved for inclusion in the capital structure for the test year?

OPC Position: CSWR has no long-term debt.

ISSUE 24: What equity ratio should be approved for use in the capital structure for ratemaking purposes for the test year?

OPC Position: The resolution of this issue is dependent upon the Commission's decision on the consolidation of CSWR's numerous systems.

ISSUE 25: What return on equity (ROE) should be approved for use in establishing the utility's revenue requirement for the test year?

OPC Position: The Commission should use the ROE based on the current leverage formula in effect at the time of the Commission's vote. The leverage formula-derived ROE should then be reduced by 25 basis points for deficient service quality as reflected in Issue 1.

ISSUE 26: What capital structure and weighted average cost of capital should be approved for use in establishing the utility's revenue requirement for the test year?

OPC Position: The appropriate weighted average cost of capital is as reflected in Exhibit RCS-2 and RCS-10, Schedule D. The resolution of this issue is dependent upon the Commission's decision on the consolidation of CSWR's numerous systems.

Net Operating Income

ISSUE 27: What are the appropriate test year revenues?

OPC Position: If the test year gallons sold data is too low, then the resulting rates will, all other things being equal, be overstated. This may possibly cause the utility to overearn in subsequent years. Conversely, if the test year gallons sold data is too high, then the resulting rates will be less than compensatory. Test year revenues should be based on the appropriate level of service-rate, billing determinants. In addition, any incremental increase of miscellaneous service charges approved in Issue 45 should be annualized in order to reflect the appropriate test year revenues for ratemaking purposes.

ISSUE 28: What adjustments, if any, should be made to account for the audit adjustments related to net operating income?

OPC Position: The record reflects that, consistent with the audit, adjustments related to net operating income should be made.

ISSUE 29: What is the appropriate amount of rate case expense?

OPC Position: Any rate case expense associated with MFR deficiencies or other imprudent costs should be disallowed. All proposed rate case expense related in any way to acquisition adjustments should be excluded from revenue requirements.

ISSUE 30: Should any adjustment be made to the Utility's proposed pro forma expenses?

OPC Position: Yes. Adjustments are appropriate.

ISSUE 31: Should any adjustment be made to the Utility's proposed management expenses?

OPC Position: Yes. Adjustments are appropriate, including exclusion of any costs related to acquisition of systems.

ISSUE 32: Should any further adjustments be made to the Utility's test year O&M expenses?

OPC Position: Yes. Any excessive unaccounted for water for each system determined by the Commission must have applicable corresponding reductions to purchased power, chemicals, and/or purchased water expenses. Any excessive infiltration and inflow for each system determined by the Commission must have applicable corresponding reductions to purchased power, chemicals, and/or purchased wastewater expenses. Adjustments are appropriate. All acquisition related costs should be excluded.

ISSUE 33: Should any adjustments be made to test year taxes other than income?

OPC Position: Yes. The cost attributable to the forfeiture of any property tax discounts should be treated below-the-line consistent with the Commission's practice.

- ISSUE 34:** Should any adjustments be made to test year depreciation expense?
- OPC Position:** Yes. Adjustments should be made for incorrect net salvage percentage-driven depreciation rates in violation of Rule 25-30.140, F.A.C.
- ISSUE 35:** Should any adjustments be made to test year amortization of CIAC expense?
- OPC Position:** Yes. The record supports that adjustments should be made to the test year for CIAC amortization expense.
- ISSUE 36:** Should any adjustments be made to the acquisition adjustment amortization expense included in the test year?
- OPC Position:** Yes. Amortization expenses associated with the acquisition adjustments for Aquarina, North Peninsula, and Sunshine Utilities should be excluded.
- ISSUE 37:** Should net operating losses be used to lower income tax expense?
- OPC Position:** Yes. CSWR Florida has had both book and income tax NOLs in each year since its inception. Thus, the Company did not have positive taxable income and has not paid income taxes. NOL carryforwards arising in tax years 4 beginning after 2020 can offset a maximum of 80% of taxable income in a single tax 5 year. Such NOLs can be carried forward indefinitely, but the 80% limitation applies annually, with unused federal income tax NOLs continuing to carry forward. The calculated state and federal taxable income before application of the NOL carryforwards should be each reduced by 80%. The income tax allowances for each system are calculated on Schedule 17 A-1 of Exhibits RCS-3 through RCS-9 for each water utility and on Exhibits RCS-11 through RCS-19 to each wastewater utility to show the application of the NOL carryforwards to offset 80% of the applicable state and federal taxable income.
- ISSUE 38:** What is the appropriate amount of test year income taxes?
- OPC Position:** This is a fallout issue. Pending the resolution of other issues, the income taxes will depend upon the specific level of revenues authorized by the Commission.

Revenue Requirement

ISSUE 39: What are the appropriate revenue requirements for the January 31, 2025, test year?

OPC Position: The revenue requirement issue is a fallout issue and is subject to change based on the resolution of other issues.

Rates and Rate Structure

ISSUE 40: What, if any, limits should be imposed on subsidy values that could result if stand alone rates are converted to consolidated rate structure for the water and wastewater systems?

OPC Position: No position.

ISSUE 41: Which water systems, if any, should be consolidated into a single rate structure?

OPC Position: No position.

ISSUE 42: What are the appropriate rate structures and rates for the water systems?

OPC Position: No position.

ISSUE 43: Which wastewater systems, if any, should be consolidated into a single rate structure?

OPC Position: No position.

ISSUE 44: What are the appropriate rate structures and rates for the wastewater systems?

OPC Position: No position.

Other Issues

ISSUE 45: What are the appropriate miscellaneous service charges?

OPC Position: The appropriate miscellaneous service charges should be based on supporting cost justification. Test Year Operating Revenues should be adjusted to reflect the impact of these new charges that will be collected when rates are implemented.

ISSUE 46: What are the appropriate service availability charges?

OPC Position: No position.

ISSUE 47: Should any portion of the interim revenue increases granted be refunded?

OPC Position: The Commission should follow the steps set forth in Florida Statute section 367.082 to compute the refund of interim rates. In no event should costs that are disallowed in final rates be allowed for interim rates.

ISSUE 48: 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?

OPC Position: This is a fallout issue and pending the resolution of Issue 29.

ISSUE 49: 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?

OPC Position: Yes. The Utility should be required to notify the Commission in writing that it has adjusted its books in accordance with any Commission ordered adjustments. Sunshine should submit a letter within 90 days of the final order in this docket confirming that the adjustments to all applicable NARUC USOA accounts have been made to the Utility's books and records.

ISSUE 50: Should this docket be closed?

OPC Position: Not at this time.

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?

OPC Position: No. Pursuant to Section 367.081(2)(a)1., F.S., The Commission is required to consider the value of service provided to customers. As customers have filed written comments in the docket, and testified at service hearings, there are issues with the value of the utility services provided by certain utility systems. The Commission should consider measures of specific systems related to the value of service provided to them.

ISSUE B: Should the lobbying portion of industry association dues be removed from operating expenses?

OPC Position: Yes. All lobbying and industry association dues should be removed from expenses and treated below the line.

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

OPC Position: Pursuant to Section 367 F.S., the Commission may only approve the parts of Sunshine's rate request which results in rates that are just, reasonable, compensatory, and not unfairly discriminatory. CSWR has requested that the Commission approve an increase of \$3,223,769 for water operations and an increase of \$984,881 for wastewater. The request includes consideration of the previously denied acquisition adjustments for North Peninsula, Aquarina, and Sunshine Systems totaling approximately 9 million dollars but does not contemplate the outstanding \$33 million in other acquisition adjustments. The Commission should consider the affordability impacts of this rate increase and the impending multimillion-dollar acquisition adjustments.

5. STIPULATED ISSUES

OPC is not aware of any issues that can be stipulated at this time.

6. **PENDING MOTIONS OR OTHER MATTERS**

The OPC is not aware of any formal motions to be disposed of at this time.

7. **STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY**

There are no pending requests or claims for confidentiality filed by OPC.

8. **OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT**

OPC has no objections to the qualification of any witnesses as an expert in the field in which they pre-filed testimony as of the present date.

9. **SEQUESTRATION OF WITNESSES**

OPC does not request the sequestration of any witnesses at this time.

10. **STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE**

OPC is unaware of any aspect of the Order Establishing Procedure in this docket with which it cannot comply. The OPC respectfully requests in Rate Proceedings such as this in future dockets there be a collaborative effort to set schedules with all parties involved.

Respectfully submitted,

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CERTIFICATE OF SERVICE
DOCKET NO. 20250052-WS

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 1st day of May, 2026, to the following:

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