

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to establish rate base value of
acquired system using alternative procedure,
by Sunshine Water Services Company.

DOCKET NO. 20260031-WS
ORDER NO. PSC-2026-0366-FOF-WS
ISSUED: October 21, 2026

The following Commissioners participated in the disposition of this matter:

GABRIELLA PASSIDOMO SMITH, Chairman
GARY F. CLARK
MIKE LA ROSA
BOBBY PAYNE
ANA ORTEGA

ORDER APPROVING PLACID LAKES RATE BASE VALUE

APPEARANCES:

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On behalf of Sunshine Water Services Company (SWS).

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On behalf of the Office of Public Counsel (OPC).

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BY THE COMMISSION:

BACKGROUND

On February 27, 2026, Sunshine Water Services Company (SWS or Utility) filed a petition (Petition) to establish the rate base value of Placid Lakes Utilities, Inc. (Placid Lakes) using the alternative procedure outlined in Section 367.0811, Florida Statutes (F.S.), and Rule 25-30.0372, Florida Administrative Code (F.A.C.).¹ By its Petition, SWS requests that we approve a rate base value of \$5,750,000 for Placid Lakes. If SWS's Petition is approved, the Utility's acquisition of Placid Lakes will be taken up in a separate docket.² If the acquisition is approved, SWS intends to consolidate Placid Lakes with the Utility's other systems in its next rate case (estimated to be effective in 2029).

Placid Lakes is a Class B water utility operating in Highlands County, serving approximately 2,250 customers. Placid Lakes also operates a wastewater system, which is not regulated by us, but may be added to SWS's wastewater service territory and would be served under the Utility's current wastewater tariff if approved by us in a separate docket.³ The transfer of the water system and amendment to acquire the wastewater system are currently pending and are contingent upon our approval in this proceeding of a rate base value of \$5,750,000.⁴

Section 367.0811, F.S., establishes an alternative method for establishing the rate base value of an acquired utility. The purpose of the statute is to promote consolidation efforts with water and wastewater utility systems in order to encourage economies of scale, better access to lower material and supply costs, better access to capital, improvement in utility infrastructure, and improvement in the overall quality of service. Section 367.0811(1), F.S. We adopted Rule 25-30.0372, F.A.C., to implement this statute. Under the alternative method, the rate base of an acquired utility must not exceed the lesser of the purchase price or the average of three appraisals. The statute and rule require three appraisals and that we randomly select the firms to conduct such evaluations from our list of licensed appraisers. In this case, the three randomly selected appraisers were Marshall and Stevens Incorporated, NewGen Strategies and Solutions, LLC, and Raftelis Financial Consultants, Inc. The average of these appraisals is \$6,506,633. SWS's negotiated purchase price for Placid Lakes is \$5,750,000 and SWS requests this amount as the alternative rate base value for the utility.

On March 16, 2026, the Office of Public Counsel (OPC) filed a notice of intervention. This intervention was acknowledged on March 17, 2026.⁵

¹ Document No. 01297-2026, filed February 27, 2026, in Docket No. 20260031-WS.

² Docket No. 20260032-WS, *In re: Application for authority to transfer facilities and water Certificate No. 401-W from Placid Lakes Utilities, Inc. to Sunshine Water Services Company, in Highlands County.*

³ Docket No. 20260033-WS, *In re: Application for authority to transfer assets of exempt entity in Highlands County by Placid Lakes Utilities, Inc. to Sunshine Water Services Company, and amendment of Certificate No. 347-S, by Sunshine Water Services Company.*

⁴ Herein, we will use the term "transfer" to refer to both the certificate transfer for the water system and the territory amendment for the wastewater system.

⁵ Order No. PSC-2026-0063-PCO-WS, issued March 17, 2026, in Docket No. 20260031-WS, *In re: Petition to establish rate base value of acquired system using alternative procedure, by Sunshine Water Services Company.*

On March 24, 2026, an order establishing procedure was issued in this docket.⁶ A prehearing order was issued July 24, 2026, and a hearing for this docket was held on August 10, 2026.⁷ Twenty-two exhibits and the testimony of six witnesses on behalf of the Utility were admitted into the record. The parties filed post-hearing briefs on September 8, 2026.

We have jurisdiction over this matter pursuant to Chapter 367, Sections 367.0811, 367.071, and 367.081, F.S.

DECISION

Legal standard

Section 367.0811(6)(a), F.S., states that when considering a rate base value petition pursuant to this section, “the commission may, in the public interest, grant the petition, in whole or in part, or with modifications, or may deny the petition.” Chapter 367 does not define public interest. However, the Florida Supreme Court has stated that the public interest standard “is a fact-dependent inquiry generally focused upon – but not limited to – the commission’s historical and statutory role.”⁸ In this instance, our statutory role is to “promote consolidation efforts with water and wastewater utility systems in order to encourage economies of scale, better access to capital, improvement in utility infrastructure, and improvement in the quality of service overall,” Section 367.0811(1), F.S.

In the evaluation of the public interest, Section 367.0811(9), F.S., lists eight items that must be considered to determine if the proposed transaction is in the public interest: quality of service; compliance with regulatory requirements; rate reductions or rate stability; cost efficiencies; arms-length transaction; economies of scale; acquiring utility’s net book value and proposed rate base value of utility being acquired; and acquiring utility’s greater access to capital.

Quality of service

Section 367.0811(9)(a), F.S., requires us to consider if the acquisition will result in improvements in the overall quality of service for the customers of the system being acquired when considering if a rate base value petition serves the public interest. A utility’s overall quality of service is determined by evaluating the quality of its product (water) and its attempt to address customer satisfaction (water and wastewater), pursuant to Rule 25-30.433(1), F.A.C.

A review of Placid Lakes’ historical chemical analyses for 2021 through 2024 in its annual Consumer Confidence Reports (CCR) submitted to the Florida Department of Environmental Protection (DEP) indicated that Placid Lakes’ water system has remained in compliance with the DEP’s primary and secondary standards in all years except for 2021. At the time the exhibit was provided, Placid Lakes’ 2025 CCR was still under DEP review. Primary

⁶ Order No. PSC-2026-0079-PCO-WS, issued March 24, 2026, in Docket No. 20260031-WS, *In re: Petition to establish rate base value of acquired system using alternative procedure, by Sunshine Water Services Company*.

⁷ Order No. PSC-2026-0260-PHO-WS, issued July 24, 2026, in Docket No. 20260031-WS, *In re: Petition to establish rate base value of acquired system using alternative procedure, by Sunshine Water Services Company*.

⁸ *Sierra Club v. Brown*, 243 So. 3d 903, 911 (Fla. 2018).

standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water.

Because SWS has not yet acquired the Placid Lakes systems, customer complaint data was not available. As such, we reviewed the customer correspondence received during the course of this docket in response to the notice regarding the acquisition transaction provided to SWS's and Placid Lakes' customers. As of September 16, 2026, 14 customers have submitted written comments in the docket. Of these customers, two are SWS customers who expressed concerns regarding the transaction, and 12 are Placid Lakes customers who conveyed the need for additional communication from SWS regarding the acquisition transaction, and/or expressed opposition to the acquisition transaction. For reference, Placid Lakes serves approximately 2,250 customers and SWS serves 35,000 customers. At the hearing, SWS witness Twomey testified that SWS intends to meet with Placid Lakes' customers if the acquisition transaction is approved to provide transparency regarding the transaction and address any questions and concerns.

Regarding improvements in the quality of service provided to Placid Lakes' customers witness Twomey testified that benefits include: 1) SWS's technical expertise and operating practices that would strengthen the monitoring, treatment optimization, and water quality control practices; 2) SWS's greater access to capital to complete Placid Lakes' infrastructure improvements and meet water quality standards; 3) lower material and supply costs; 4) access to SWS's Florida-based customer service and billing operations, with dedicated employees, a 24/7 call center, and an online customer portal; 5) enhanced information technology and cybersecurity support; and 6) access to SWS's emergency and disaster response capabilities. In addition, SWS witness Magro identified ten capital improvement plan (CIP) projects for Placid Lakes' water system, and nine CIP projects for Placid Lakes' wastewater system in his engineering assessment. These projects are discussed below. SWS witness Twomey indicated that SWS intends to begin construction of these projects prior to its next rate proceeding if we approve the acquisition transaction and transfer. Witness Twomey asserted that these projects are required over the next several years to maintain an appropriate level of service to Placid Lakes' customers. He further stated that completion of these projects would benefit the systems' customers through improved service and system reliability and help prepare the system for any potential storms or electrical outages.

OPC did not file testimony in this proceeding; however, in its brief, OPC argued that it does not believe SWS demonstrated that the acquisition transaction will produce measurable improvements in the quality of service provided to Placid Lakes' customers. OPC asserted that the engineering assessment did not include an evaluation of the water distribution and wastewater collection systems. Furthermore, OPC argued that SWS's representation that service will improve, given its recent Commission-documented quality of service issues, and the absence of performance metrics or enforceable commitments, does not establish that approving the proposed transaction will improve quality of service for Placid Lakes' customers.

We disagree with OPC. Although the engineering assessment did not include an evaluation of Placid Lakes' water distribution and wastewater collection systems, SWS indicated

that it conducted its own review of available records for these systems and discussed the condition and operating procedures with Placid Lakes. This review considered water volumes, age of meters, and general pipe materials for Placid Lakes' water distribution system, and wet weather flow, materials of construction, age, and general pipe materials for Placid Lakes' wastewater collection system. SWS determined that a more invasive analysis, such as hydraulic modeling, was not warranted due to the size of the water distribution and wastewater collection systems and therefore did not include this analysis in the Scope of Services for the engineering assessment. Additionally, the record identifies specific improvements that would be made to Placid Lakes' systems that would benefit customers following the proposed acquisition, including infrastructure improvements, enhanced technical and operational support, expanded customer service and billing capabilities, enhanced information technology and cybersecurity support, and access to SWS's emergency and disaster response capabilities. SWS also identified specific CIP projects that it intends to begin prior to its next proceeding if the transaction is approved. While the improvements identified by SWS cannot be quantified at this time, we have the authority to evaluate the Utility's improvements in subsequent proceedings, and the record demonstrates that these improvements would benefit Placid Lakes' customers following the proposed acquisition transaction.

Based on the above, the proposed transaction should improve the overall quality of service provided to Placid Lakes' customers. The improvements identified by SWS are aimed at system reliability and operations, regulatory compliance, responsiveness, and overall customer experience, and would be extended to the Placid Lakes' customers following acquisition, as some of these improvements are already implemented by SWS company wide. Further, SWS has committed to engage with Placid Lakes' customers to provide transparency regarding the transaction and address any questions and concerns. For these reasons, we find that Placid Lakes' customers will benefit from improvements in quality of service following the transaction.

Regulatory compliance

Section 367.0811(9)(b), F.S., requires us to consider if the acquisition will result in improvements in regulatory compliance for the system being acquired when considering if an alternative rate base value petition serves the public interest. Pursuant to Rule 25-30.433(2), F.A.C., in determining a utility's regulatory compliance, we consider whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C., which requires each water and wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of the DEP.

Pursuant to Rules 25-30.0372(3)(b)1. and 2., F.A.C., SWS submitted copies of the most recent DEP and/or county health department sanitary survey, compliance inspection report, and primary and secondary standards drinking water report. Copies of all correspondence with the DEP, county health department, and water management district, including consent orders and warning letters, and Placid Lakes' responses to the same, for the past five years were provided by SWS. Analysis of this issue considers this compliance information, as well as our determination regarding Placid Lakes' water system compliance in its last rate case. Any improvements identified in the 3-year plan to address any deficiencies indicated in the engineering assessment

required by Sections 367.0811(4)(b), and (5)(c) and (d), F.S., and any additional projects identified by SWS that may improve compliance with environmental regulations were also considered. The discussion regarding proposed projects by SWS is not intended to prejudice the prudence or appropriateness for cost recovery of those items.

A summary of Placid Lakes' water system compliance history is provided below.

1. December 30, 2019 – In Placid Lakes' last rate case, we determined that the quality of service for Placid Lakes' water system⁹ was satisfactory and that its water quality was in compliance with DEP standards. However, the order discussed a DEP Consent Order dated November 19, 2018, which was issued due to disinfection byproduct (DBP) exceedances for the water system. To address this issue, a new hydrogen peroxide treatment system was installed.¹⁰ The hydrogen peroxide treatment system addressed the DBP exceedances, and the Consent Order was closed on July 6, 2020.
2. January 2024 through May 2025 – The engineering report included an evaluation of Placid Lakes' monthly flow data for its water system, which showed that the total groundwater withdrawals were within the Southwest Florida Water Management District's (SWFWMD) total Consumptive Use Permit (CUP) limits, but the average day and peak month withdrawal limits for the individual well allocations were exceeded on multiple occasions. The individual well allocations identified in the SWFWMD CUP are for four wells; however, one well has yet to be constructed. To address the individual well allocation exceedances, the engineering report indicated that a new well, Well No. 4, should be constructed (Project No. 5 in the water project listing).
3. April 25, 2024 – The DEP issued a Compliance Assistance Offer Letter resulting from the March 28, 2024, Sanitary Survey Inspection.
 - a. Missing tank inspection reports for ground storage and hydro-pneumatic tanks.
 - b. Bio growth in aerator ground storage #1 and #2, and pad of well #1 cracked.
 - c. Well #2 raw sampling taps were threaded.
 - d. Wells #1 and #2 raw water taps were not pointed downward.
 - e. Operator was not recording in and out times during site visits.
4. July 15, 2024 – The DEP issued a Return to Compliance Letter as Placid Lakes' water system was determined to be in compliance following provision of the requested information regarding the April 25, 2024, Compliance Assistance Offer Letter (No. 3).

⁹ The quality of service determination is only applicable to Placid Lakes' water system as the wastewater system is not yet subject to our jurisdiction.

¹⁰ Order No. PSC-2019-0551-PAA-WU, issued December 30, 2019, in Docket No. 20190031-WU, *In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.*

5. January 27, 2026 – The DEP issued a warning letter due to a nitrate exceedance from a drinking water sample collected on August 6, 2025.
6. July 27, 2026 – SWS indicated that Placid Lakes represents that its water system is in compliance with the DEP.

A summary of Placid Lakes' wastewater system compliance history is provided below.

1. January 17, 2024 – The DEP issued a Compliance Assistance Offer resulting from the December 18, 2023 Compliance Evaluation Inspection.
 - a. Absence of a daily logbook for the facility.
 - b. Incorrect percent capacity calculations on the discharge monitoring reports (DMRs).
 - c. Late submittal of DMRs.
2. April 23, 2024 – The DEP issued a Return to Compliance Letter as Placid Lakes' wastewater system was determined to be in compliance following provision of the requested information regarding the January 17, 2024 Compliance Assistance Offer Letter (No. 1).
3. May 30, 2025 – The DEP issued a warning letter regarding its office file inspection conducted on May 15, 2025, which indicated that Placid Lakes' wastewater system was significantly out of compliance
 - a. Failure to submit a permit renewal application by February 3, 2024.
 - b. Operating with an expired permit.
4. September 15, 2025 – The DEP issued a final permit, which included Administrative Order No. AO-014350-008-SD (DEP AO) requiring Placid Lakes' wastewater system to meet the new effluent limits of 6 milligrams per liter (mg/l) for total nitrogen and 3 mg/l for total phosphorous.¹¹ The existing facility is not designed to meet the new effluent limits. As such, the engineering report indicated that new treatment tanks, mixers, pumps, electrical upgrades, and groundwater monitoring wells will need to be installed (Project Nos. 7, 8, and 9 in the wastewater project listing), and increased facility staffing will be required to address the DEP AO action items, which are due by February 29, 2028.¹²

¹¹ The DEP AO is due to requirement changes, not because the system has ongoing deficiencies with the DEP.

¹² Document No. 01471-2026.

5. July 27, 2026 – SWS indicated that Placid Lakes represents that its wastewater system is in compliance with the DEP.

SWS witness Magro's engineering report included an evaluation of Placid Lakes' water and wastewater system assets. The engineering report identified 19 CIP projects (ten water and nine wastewater), with an estimated cost of \$2,130,000. In addition, SWS witness DeStefano identified an additional project for the water system, the Advanced Metering Infrastructure (AMI) project. According to the witness, this project is necessary because the current non-automated meters require replacement to integrate with SWS's system-wide AMI implementation, which was approved in its last rate case, and achieve the associated benefits. Witness DeStefano testified that the total estimated cost for all projects is \$2.38 million.¹³

Below are the CIP projects identified for the water system in SWS witness Magro's engineering report, as well as the additional AMI project identified by SWS. Project Nos. 1 through 5 are expected to be completed by the end of 2027, and Project Nos. 6 through 11 are expected to be completed by the end of 2028. The estimated total cost for these projects is \$1,203,575, if the transaction and transfer are approved.

1. **AMI Meters Replacements** – Replace approximately 750 non-automated meters with AMI meters. The estimated total project cost is \$393,575.
2. **Well No. 1 Pump Rehabilitation** – Remove and rehabilitate existing vertical turbine pump and motor at Well No. 1, including disconnection, inspection, reinstallation, and testing. The estimated total project cost is \$25,000.
3. **Well No. 2 Emergency Generator Installation** – Furnish and install a new standby generator at Well No. 2, including an automatic transfer switch (ATS), concrete pad, wiring, conduit, and all electrical tie-ins. The estimated total project cost is \$75,000.
4. **Well No. 3 Emergency Generator Installation** – Furnish and install a new standby generator at Well No. 3, including an ATS, concrete pad, conduit, wiring, grounding, and integration into the existing system. The estimated total project cost is \$75,000.
5. **New Well No. 4** – Drill a new 10 inch well, install a new pump, instrumentation, SCADA, and a new raw water main. The estimated total project cost is \$500,000.¹⁴
6. **Water Treatment Plant Site Vault Safety Improvements** – Fabricate and install aluminum or galvanized steel safety covers over three existing pipe vaults; the project includes minor site work, framing, and anchoring. The estimated total project cost is \$20,000.

¹³ The estimated total cost is \$2,123,575. However, witness DeStefano included SWS's internal capitalized labor percentage and the then-approved Allowance for Funds Used During Construction rate. Therefore, the sum of the individual project cost estimates does not equal the \$2.38 million total estimated costs.

¹⁴ The engineering report included an estimated total cost of \$900,000 for this project; however, SWS reduced the estimated total project cost to \$500,000 based on its experience implementing similar infrastructure in other locations and the replacement cost-new identified in the engineering report.

7. **High Service Pump (HSP) Building Grating Replacement** – Rehabilitate the existing grating above influent and effluent piping in the HSP building. The estimated total project cost is \$15,000.
8. **Compressor Replacement** – Remove and dispose of two existing Ingersoll-Rand air compressors located outdoors and furnish and install new replacement compressors. The estimated total project cost is \$10,000.
9. **14-inch Asbestos Cement Pipe Replacement** – Excavate, remove, and replace approximately 80 linear feet of 14-inch asbestos cement effluent water main with new Ductile Iron Pipe. The estimated total project cost is \$60,000.
10. **Chlorine System Reliability Upgrade** – Install a back-up chlorine storage tank and metering pump to provide permanent back-up disinfection facilities. The estimated total project cost is \$20,000.
11. **Chain Link Repair** – Install approximately 80 linear feet of damaged chain link fence. The estimated total project cost is \$10,000.

SWS witness Magro testified that the ten CIP projects identified for the water system include seven deferred maintenance projects (Project Nos. 2 and 6-11), two reliability projects (Project Nos. 3 and 4), and one notable project (Project No. 5). Witness Magro indicated that Project No. 5, the New Well No. 4 project, is notable due to Placid Lakes' individual groundwater well withdrawal allocation exceedances as previously discussed. SWS asserted that the fourth well should resolve the well withdrawal exceedances.

Below are CIP projects identified for the wastewater system in witness Magro's engineering report. Project Nos. 1 through 5 are expected to be completed by the end of 2027, and Project Nos. 6 through 9 are expected to be completed by the end of 2028. The estimated total cost for these projects is \$920,000, if the transaction and transfer are approved.

1. **Lift Station No. 1 Full Replacement (Golf)** – Abandon existing Lift Station No. 1 and construct a new lift station, including a wet well, valve vault, pumps, controls, electrical service, and site work. The estimated total project cost is \$300,000.
2. **Lift Station No. 2 Discharge Piping Rehabilitation** – Remove and replace corroded discharge piping, valves, and fittings within the wet well vault of Lift Station No. 2; the project includes bypass pumping and restoration. The estimated total project cost is \$40,000.
3. **Open Tank Grating Safety** – Fabricate and install new aluminum grating covers over four open process tanks to improve safety and prevent fall hazards; the project includes brackets and hardware. The estimated total project cost is \$10,000.

4. **Blower System Installation** – Furnish and install a new blower unit and a back-up blower at the wastewater treatment facility (WWTF), including structural supports, mounting, conduit, and control wiring. The estimated total project cost is \$30,000.
5. **Generator Installation WWTF** – Furnish and install a new standby generator at the WWTF; the project includes an ATS, electrical panel upgrades, concrete pad, and all connections. The estimated total project cost is \$75,000.
6. **New Bar Screen** – Furnish and install a new influent bar screen. The estimated total project cost is \$15,000.
7. **DEP Required Plan** – Prepare a power outage contingency plan and a collections system action plan. The estimated total project cost is \$10,000.
8. **Nutrient Removal Upgrades Basin Management Action Plan (BMAP) Compliance** – Install a new treatment tank and nitrogen recycle pump, in-tank mixer, alum injection system, metering pump, auto-dialer, and electrical/control systems to comply with the new nitrogen and phosphorous effluent limits. The estimated total project cost is \$400,000.
9. **Monitoring Well Installation** – Furnish and install groundwater monitoring wells in accordance with the permit requirements; the project includes drilling, casing, wellhead protection, and documentation. The estimated total project cost is \$40,000.

SWS witness Magro noted that the nine wastewater CIP projects include seven deferred maintenance projects (Project Nos. 2-7 and 9), and two notable CIP projects (Project Nos. 1 and 8). Witness Magro indicated that Project No. 1, the Lift Station No. 1 Full Replacement (Golf) project, is considered of primary importance due to the age and condition of the existing lift station, safety risks, and the need to comply with recommended wastewater pump station standards. Witness Magro stated that Project No. 8, the Nutrient Removal Upgrades BMAP Compliance project, is the second-most notable CIP project as it is required to comply with the new BMAP effluent limits per the AO in the new DEP permit.

SWS stated that the Utility's access to capital, enhanced information-technology and cybersecurity support, and emergency and disaster response capabilities will benefit Placid Lakes' customers and support regulatory compliance. SWS also asserted that its experience as an established operator of multiple utility systems across several counties is evidence of its capabilities to maintain regulatory compliance and address non-compliance issues as they arise.

OPC did not file testimony in this proceeding; however, based on its brief, OPC does not believe that SWS has established that the increase in rate base and rates will materially improve regulatory compliance. Furthermore, OPC states that our decision on the acquisition transaction does not improve new regulatory compliance due to regulatory compliance being needed and independent from the value we assign.

We disagree with OPC. Section 367.0811(9)(b), F.S., requires consideration of whether the acquisition transaction is expected to result in improvements in regulatory compliance. The record demonstrates that SWS has identified specific existing regulatory requirements and operational issues, as well as proposed projects to address those issues.

Specifically, the proposed construction of Well No. 4 for Placid Lakes' water system is intended to address the individual well withdrawal allocation exceedances identified in the SWFWMD CUP. In addition, the proposed Nutrient Removal Upgrades and Monitoring Well Installation projects for Placid Lakes' wastewater system are directly related to the new DEP permit requirements and AO regarding the new effluent limits and groundwater monitoring requirements. SWS has also indicated that it has the staffing necessary to meet the increased staffing requirements identified in SWS witness Magro's engineering report to address the DEP AO action items.

The remaining proposed CIP projects for the Placid Lakes systems, including projects addressing equipment rehabilitation, standby generation, disinfection system reliability, and other infrastructure deficiencies, are intended to improve the reliability and operation of the systems.

Based on the above, we find that the planned projects indicate SWS's intention to improve the reliability, safety, and system operations for the Placid Lakes water and wastewater systems, which should contribute to continued regulatory compliance. The record also demonstrates that SWS has access to the funding, staffing, operational, and infrastructure resources needed to address existing deficiencies and meet the systems' regulatory requirements. Therefore, we find that the transaction should result in improvements in regulatory compliance.

Performance goals

Section 367.0811(10), F.S., states that we may set reasonable performance goals based on the standards specified in Section 367.0811(9), F.S., and review utility performance regarding these standards in a rate proceeding.

SWS did not provide testimony regarding this issue, and OPC did not file testimony in this proceeding. However, in its brief, SWS recommended that no performance goals are necessary but stated that the record established that the specific projects in the CIPs, with SWS's operational and regulatory experience, provide measurable commitments that render additional performance goals under Section 367.0811(10), F.S., unnecessary. In its brief, OPC recommended that we set a framework to develop a cost-benefit analysis of ratepayer impacts to standardize the review of future acquisitions. Furthermore, OPC argued that the framework should require the Utility to identify measurable service, compliance, and cost-efficiency targets tied to approval of the acquisition transaction, and to report periodically on whether targets have been met.

While OPC recommended that a framework to develop a ratepayer cost-benefit analysis be set, we agree with SWS that no performance goals should be established pursuant to Section

367.0811(10), F.S., at this time. SWS has not yet acquired the Placid Lakes' water and wastewater systems, and the record does not provide information for specific performance goals to establish future performance goals. We also agree with SWS that the specific projects identified in the CIPs and SWS's operational and regulatory experience provide a basis for evaluating the Utility's performance in a future proceeding without establishing formal performance goals at this time.

Based on above, we find that establishing formal performance goals is unnecessary at this time because the considerations of Section 367.0811(9), F.S., are addressed throughout this order, and the specific projects identified in the CIPs provide a basis for evaluating the Utility's performance in a future proceeding. Should future circumstances demonstrate otherwise, we have the authority to evaluate the Utility's performance in subsequent proceedings.

Rate reductions or rate stability

Pursuant to Section 367.0811(9)(c), in evaluating a rate base value petition, we must consider whether the transaction will result in rate reductions or rate stability over a long-term period. SWS witness Twomey stated that the proposed acquisition and ultimate consolidation with SWS's other systems will result in a rate reduction and rate stability for the customers of Placid Lakes over a long-term period. However, witness Twomey indicated that Placid Lakes' existing rates will not result in an immediate rate change. Witness Twomey asserted that post consolidation, the customers' average residential water and wastewater bills would decline.

OPC has asserted that the approval of the rate base value petition, acquisition of Placid Lakes, and consolidation with SWS is expected to increase Placid Lakes' rate base. OPC indicated if the consolidation does not take place, the Placid Lakes customers would carry the burden of a higher premium in the rate base. OPC further stated that without knowing all of SWS's system and capital expenditure plans, long term rate stability is speculative. Furthermore, OPC highlighted known engineering deficiencies that "customers will almost certainly pay for in a future rate case." OPC argued that we should not treat rate stability as a benefit of the transaction unless it is tied to a definite, enforceable timeline.

SWS witness DeStefano's analysis presents calculations of stand-alone revenue increases for Placid Lakes if it is not acquired by SWS, based on a 2027 test year, which result in higher percentage increases of 13.14 percent for water and 257.57 percent for wastewater. If the transaction and consolidation are successful, witness DeStefano's analysis indicates an overall percentage price increase of 6.48 percent for water and 7.93 percent for wastewater. Since SWS's rates are consolidated, we find it is reasonable to expect that Placid Lakes would be incorporated into SWS's consolidated rate structure upon completion of a future rate proceeding. Placid Lakes' customers would not be expected to experience the substantially higher stand-alone increases identified in witness DeStefano's analysis. Rather, the evidence demonstrates that customers would experience substantially lower increases under the consolidated rate structure than they would if Placid Lakes remained a stand-alone utility. Although the proposed transaction does not result in an immediate rate reduction, the lower increases associated with consolidation support the finding of more reasonable future rates for Placid Lakes customers.

Therefore, we find that the proposed transaction is reasonably likely to result in rate stability over a long-term period and no evidence to the contrary has been presented.

Projected five-year impact

Pursuant to Section 367.0811(5)(e), F.S., the petition filed under this section must contain a 5-year projected rate impact on the customers of the utility being acquired, including but not limited to any cost efficiencies expected to result from the acquisition and the use of this section instead of the cost method pursuant to Section 367.081, F.S., to establish rate base. SWS witness DeStefano contends that SWS prepared projections showing Placid Lakes' anticipated tariff rates following acquisition and inclusion in its anticipated SWS's 2027 test year rate case, estimated to take effect in 2029. SWS projects an overall rate decrease for Placid Lakes water and wastewater customers relative to Placid Lakes current rates.

Witness DeStefano indicated that the rate calculations include the proposed \$5,750,000 rate base and recommended \$2.38 million in capital improvements. Witness DeStefano stated that the 5-year projected rate impact incorporates operational efficiencies resulting from SWS's anticipated use of three operating personnel and its existing management and administrative teams. These efficiencies are expected to eliminate certain incremental salaries and benefits costs, estimated to be \$139,951 annually, beginning upon acquisition. Witness DeStefano's analysis demonstrates that Placid Lakes' rates will go up if capital improvements are considered on a stand-alone basis as indicated in the engineering assessment.

SWS stated that it would continue charging Placid Lakes' existing rates in effect at the time of closing and, on a going forward basis, continue filing annual index filings for the next several years before consolidating Placid Lakes with SWS. The average consumption for water is 3,555 gallons per month. With consolidation, a residential water bill, based on a 5/8-inch meter size will reduce from the current charge of \$31.72 to \$28.42 a month in 2029. The average consumption for wastewater is 4,592 gallons. A residential wastewater bill will reduce from the current charge of \$139.50 a month to \$88.44 a month in 2029.

OPC argued that despite SWS's projection that rates will eventually stabilize, the acquisition will not necessarily produce savings. OPC cited inconsistencies between actual numbers reported in both SWS and Placid Lakes' 2025 Annual Reports, and the numbers used to calculate witness DeStefano's 5-year impact analysis. OPC argued that the most significant discrepancy concerns Placid Lakes' O&M expense, where in witness DeStefano, in the 5-year impact analysis, used O&M expense of \$583,948, while Placid Lakes reported \$1,688,841 in its 2025 Annual Report. OPC further acknowledged concerns about the reliability of the 5-year rate analysis, stating that because the inputs used to calculate it "materially diverge" from the annual reports, we should not accept the projected benefits and rate impacts at face value. OPC also referenced Rule 25-30.110(2), F.A.C., stating that it requires information furnished to us for ratemaking purposes to be consistent with, and reconcilable to, Placid Lakes' annual reports.

OPC's comparison of the financial input used in SWS's 5-year rate impact analysis to the 2025 Annual Reports is mislaid. The analysis was prepared using the most recent financial

information available at the time, the 2024 Annual Reports of SWS and Placid Lakes. SWS filed its petition in February 2026, at a time when the 2025 Annual Report was not yet due. As a result, the use of the 2024 Annual Report was reasonable and appropriate for preparing the analysis. In addition, OPC's comparison relies on an incorrect O&M expense for Placid Lakes. Placid Lakes' 2025 Annual Report reports O&M expense of \$790,017, not the \$1,688,841 cited by OPC. SWS used the 2024 Annual Report O&M expense of \$710,052. It was reduced in year one to \$583,948 to recognize the cost efficiencies realized upon the acquisition. Therefore, OPC's calculation of the alleged discrepancy is based on an inaccurate figure and does not provide a reliable basis for questioning the analysis.

Based on the above, the projected rate impact of the proposed transaction under Section 367.081(5)(e), F.S., over the next five years is a decrease to the monthly residential bill for a 5/8-inch x 3/4-inch meter from \$31.72 to \$28.42 for water and \$139.50 to \$88.44 for wastewater.

Rate stabilization plan

Section 367.0811(5)(h), F.S., provides that a rate stabilization plan must be filed if the acquisition would result in a significant individual increase in rates during the 5-year period following acquisition. Rule 25-30.0372(3)(f), F.A.C., provides that a "significant individual increase" means a rate increase during any twelve consecutive months of the 5-year projected rate impact period that is in excess of 15 percent over the current rates of the utility system being acquired.

SWS witness Twomey testified that consistent with Rule 25-30.0372(3)(f), F.A.C., SWS is not proposing a rate stabilization plan because the transaction will not result in a significant individual increase that will result in an excess of 15 percent over Placid Lakes current rates or in the rates charged to Placid Lakes during the 5-year period. In its brief, SWS asserted that the Utility anticipates the acquisition and consolidation of Placid Lakes into SWS's existing revenue requirements would mitigate significant individual increases over the estimated 2026-2030 period.

In its brief, OPC stated that the Utility should be required to institute a rate stabilization plan if the transaction satisfies the minimum statutory public interest factors. OPC further explained that the rate stabilization plan should be coupled with performance requirements including completion of capital projects, demonstration of operating efficiencies, and periodic reporting concerning whether projected savings have materialized. Based on the 5-year projected impact, a rate stabilization plan is not warranted.

The record evidence demonstrates there will not be a rate increase during any twelve consecutive months of the 5-year projected rate impact period that is in excess of 15 percent over the current Placid Lakes rates. Therefore, we find that if the proposed transaction under Section 367.0811(5)(h), F.S., is approved, a rate stabilization plan for Placid Lakes will not be required.

Cost efficiencies

Pursuant to Section 367.0811(9)(d), F.S., in considering a rate base value petition pursuant to this section, we must consider whether the proposed acquisition provides cost efficiencies in serving the public interest and pursuant to the goals of this section of the statute.

SWS is a wholly owned subsidiary of Nexus Regulated Utilities, LLC (Nexus), which is an indirectly owned subsidiary of Nexus Water Group, Inc. SWS is a Class A water and wastewater utility providing potable water and wastewater services to more than 35,000 and 30,000 customers, respectively, across 10 Florida counties. As a result of its size and operational structure, SWS is positioned to achieve cost efficiencies via economies of scale through the sharing of administrative functions, operational personnel, technical expertise, and other resources across multiple systems and spreading fixed costs across a larger customer base. These arrangements may improve operational efficiency, reduce duplicative costs, and help moderate future increases in the cost of providing service.

The Utility has provided Placid Lakes' 2021 through 2025 Annual Reports. According to Placid Lakes' 2025 Annual Report, the most recent year of operation, the water system reported an operations and maintenance (O&M) expense of \$790,017, which is 8.8 percent higher than its projected O&M expense for that year. The average water O&M expense for the 5-year period from 2021 through 2025 is \$698,088, reflecting an average annual increase of 6.0 percent. Placid Lakes' wastewater system is currently unregulated by the Commission. SWS separately filed an application for the transfer of Placid Lakes' wastewater assets and for amendment of Certificate No. 347-S, which would add the wastewater system to the Utility's Commission-regulated wastewater service territory.¹⁵

According to the Utility's Cumulative Present Value of the Revenue Requirement (CPVRR), SWS projects an average O&M expense of \$610,580 for water, and \$37,847 for wastewater during the first five years following the proposed acquisition. Table 1 summarizes Placid Lakes' projected O&M expenses with acquisition by SWS and as a standalone system without acquisition.

Table 1

Placid Lakes' Projected O&M Expenses With and Without Acquisition

	Year 0 (2024)	Year 1 (Projected)	Year 2 (Projected)	Year 3 (Projected)	Year 4 (Projected)	Year 5 (Projected)	5-year Projected Average
Without Acquisition (Standalone)							
Water	\$710,052	\$725,886	\$742,073	\$758,622	\$775,539	\$792,833	\$758,991

¹⁵ Docket Nos. 20260032-WS and 20260033-WS.

Wastewater	\$36,516	\$37,330	\$38,163	\$39,014	\$39,884	\$40,773	\$39,033
With Acquisition							
Water	\$710,052	\$583,948	\$596,970	\$610,283	\$623,892	\$637,805	\$610,580
Wastewater	\$36,516	\$36,196	\$37,003	\$37,828	\$38,672	\$39,534	\$37,847

Source: Exhibit 3, C1-14-C1-16.

SWS projects that O&M expense will decrease by 17.8 percent for water and 0.9 percent for wastewater in Year 1 of operation, compared to Placid Lakes' 2024 O&M expenses. The Utility assumed a 2.2 percent annual increase in O&M expenses for each subsequent year. Over the 5-year horizon, SWS projects O&M expenses that are 19.6 percent lower for water and 3.0 percent lower for wastewater compared to the O&M expenses projected for Placid Lakes as a standalone system.

Regarding whether the acquisition of Placid Lakes is expected to provide cost efficiencies, OPC stated the Utility has merely identified generalized efficiencies associated with centralized management and administrative consolidation, but it has not demonstrated that these efficiencies are quantifiable, verifiable, or sufficient to offset the increased costs. However, we disagree with OPC's stance and find that the Utility has provided evidence of anticipated cost efficiencies resulting from the proposed acquisition. SWS has explained that cost efficiencies are expected to result from consolidating personnel supporting the Placid Lakes system. Specifically, the Utility anticipates using three operating personnel, with an estimated total cost of \$292,593, as well as existing SWS management and administrative teams to support the operations of the Placid Lakes system. After accounting for the estimated costs associated with the three operating personnel, SWS removed \$432,544 in labor and benefits expenses reported in Placid Lakes' 2024 Annual Report, resulting in estimated operational savings of \$139,951.

Based on SWS's operational structure, the anticipated reduction in O&M expenses, and Placid Lakes' actual 2025 water O&M expense exceeding the projected O&M expense as a standalone system, we find that the proposed acquisition of Placid Lakes is expected to provide cost efficiencies.

Economies of scale

Pursuant to Section 367.0811(9)(f), F.S., in evaluating a rate base value petition, the Commission must consider the economies of scale to be generated by the transaction. SWS contends that the transaction is expected to generate economies of scale. SWS witness Twomey testified that consolidating Placid Lakes with SWS will promote economies of scale by spreading fixed costs across a larger customer base. Witness Twomey further contended that consolidating Placid Lakes with SWS will reduce customer capital and operating costs. SWS has also argued that there is a reduction of capital and operating costs along with access to financial, operational,

and technical expertise that a utility of Placid Lakes size would not have been able to achieve on its own.

SWS witness DeStefano contended that the transaction will provide economies of scale from a cost recovery perspective that would not otherwise be available to Placid Lakes. To support its position, SWS asserted that consolidating Placid Lakes with SWS would eliminate the need for stand-alone management, capital planning, support services, and operational leadership roles or positions. Witness DeStefano testified that consolidation will provide savings for Placid Lakes by allowing SWS to use its existing administrative and management team. Witness DeStefano further stated that these costs are existing SWS costs and will not be incremental costs for Placid Lakes.

OPC disagreed with SWS, stating that the evidence does not establish meaningful economies of scale benefiting customers, and that the savings realized by SWS will increase utility profits rather than being passed down to customers. OPC stated that SWS's claims of savings in emergency response, cybersecurity, centralized resources, and access to a large organization "do not justify a reduction in Placid Lakes' operating costs or establish a measurable economic benefit attributable to this acquisition."

We disagree with OPC's assertions and find that the benefits testified to by the Utility's witnesses, including the sharing of existing management, administrative, and operational resources and the spreading of costs across a large customer base, present opportunities for the Utility to be operationally efficient and promote economies of scale. Therefore, we find that the Utility's proposed transaction under Section 367.0811(9)(f), F.S., will generate economies of scale.

Arms length transaction

SWS asserted that the proposed transaction was negotiated at arm's length between two unaffiliated parties. SWS witness Twomey testified that the transaction for the Placid Lakes systems satisfies the statutory requirements of an arms-length transaction and outlined the public interest benefits, including improved service, regulatory compliance, and economies of scale. Witness Twomey testified that SWS is an indirect subsidiary of Nexus Water Group, Inc. and that Placid Lakes is an entirely separate corporate entity with no prior affiliation. SWS argued that each party entered negotiations voluntarily, was represented by its own counsel, and acted in their own self-interest.

OPC argued an arm's-length purchase price does not necessarily reflect the utility's appropriate ratemaking value. Buyers may pay premiums for factors such as future earnings, strategic advantages, financing, tax benefits, or anticipated efficiencies—benefits that may accrue to the buyer rather than customers. Therefore, OPC states that we should not automatically add the purchase price premium to rate base. OPC contends that the key distinction is that what a buyer is willing to pay is not necessarily what customers should be required to pay through rates.

Upon review of the testimony and exhibits, we find that the Utility has filed the required documentation under Section 367.0811(9)(e), F.S., including, among other items, the Agreement for Purchase and Sale of Water and Wastewater System Assets of the acquired utility. As indicated above, the transaction involves two distinct corporate entities - SWS and Placid Lakes - with no documented shared board members or parent company. Therefore, we find that the acquisition is an arms-length transaction as required by Section 367.0811(9)(e), F.S.

Access to capital

Section 367.0811(9)(h), F.S., requires that we consider whether the acquiring utility possesses greater access to capital than the utility being acquired. The record demonstrates that SWS possesses greater access to capital than Placid Lakes through its larger financial resources, diversified financing mechanisms, and affiliation with a large utility holding company, Nexus.

SWS has stated that the proposed acquisition is expected to create greater access to capital. Consistent with that representation, SWS witness Twomey testified that SWS has access to multiple sources of capital, including collateralized notes, private placement offerings, and bank credit agreements as a subsidiary of Nexus. SWS asserted that Nexus is also credit rated by Standard & Poor's (specific rating was filed as confidential by SWS), which facilitates a wide range of debt financing options at reasonable rates, including a revolving debt arrangement that provides ready access to funds for operations or capital investment as needed. The credit rating is considered private, not publicly available, and represents a complimentary credit assessment. SWS asserted Placid Lakes, as a stand-alone utility, historically relied on significantly more limited financing sources, including developer-provided equity and traditional bank loans.

Witness Twomey testified that SWS's access to capital through both SWS, and its parent company, Nexus, will allow the Utility to engage in capital improvements identified in SWS's Capital Improvement Plan. Further, Nexus is a subsidiary of Southwest Water Company, Inc. that has a \$700 million revolving credit facility through its equity investors. The Utility explained the revolving credit facility is similar to the revolving credit agreements historically available to SWS through its parent companies and has been part of its capital structure for ratemaking. The revolver makes funds available to SWS for short-term funding needs without requiring debt issuances or equity infusions, providing flexibility and reliability in fund availability to maintain proper service for customers. To SWS's knowledge, Placid Lakes has no such credit line available. Additionally, SWS asserted that it utilizes a balanced capital structure targeting a 50 percent equity ratio, compared to Placid Lakes' Commission-approved 58.99 percent equity ratio, which effectively could lower the overall cost of capital.

OPC did not provide any testimony in the record; however, in its brief it argued:

Company witness Dante DeStefano, offered in part to address the "access to capital" factor, could not confirm that Commission approval of the requested rate base would create a new lending relationship, guarantee a loan, reduce Sunshine's borrowing costs, or otherwise concretely improve the Company's access to capital. Tr. 31-36. Repeated questioning on this point drew only speculation: "I

would have to ask our lenders. I am not sure how of this would impact that,” and, when asked whether a higher rate base would improve Sunshine’s credit rating, “I wouldn’t know that. I am not a treasury expert.” Tr. 32-36. Mr. DeStefano likewise could not confirm that Commission approval would increase the Company’s cash on hand or its equity capital. Tr. 36. A statutory factor cannot be satisfied by an assertion that the Company’s own witness is unable to substantiate when tested.

We are not persuaded by OPC’s arguments due to a lack of evidence supporting its claims. Further, OPC’s arguments above are contrary to its position on this issue.

Based on the record, we find that the proposed acquisition provides SWS with access to greater financial resources to support long-term infrastructure sustainability. Collectively, the evidence described above demonstrates that SWS possesses greater financing flexibility and access to capital than Placid Lakes.

Proposed rate base value vs. net book value

Section 367.0811(9)(g), F.S., requires us, in considering a rate base value petition, to consider the NBV of the acquiring utility relative to the proposed rate base value of the acquired utility.

SWS witness Twomey testified that its NBV as of December 31, 2024, is approximately \$195,393,737. SWS’s proposed rate base value for Placid Lakes is \$5,750,000. The proposed rate base value therefore represents approximately 2.9 percent of SWS’s NBV.

In their briefs, SWS and OPC relied on different comparisons. SWS argued that the proposed rate base value is only 2.9 percent of SWS’s NBV and, therefore, the Placid Lakes system can be consolidated with minimal impact on SWS’s existing customers while benefiting Placid Lakes’ customers. OPC does not dispute the relative NBV calculation of 2.9 percent, however, it asserted that the proposed \$5,750,000 rate base value is approximately 674 percent of Placid Lakes’ depreciated NBV and argued that customers would bear the resulting premium through rates.¹⁶

Section 367.0811(9)(g), F.S., directs us to compare the acquiring utility’s NBV with the proposed rate base value of the acquired utility. Thus, the relevant comparison under this factor is SWS’s \$195,393,737 NBV to the proposed \$5,750,000 rate base value, or approximately 2.9 percent. OPC’s asserted 674 percent comparison relates the proposed rate base value to Placid Lakes’ NBV and addresses the proposed premium, not the comparison specified by this statutory factor. The relative size of the acquisition does not, by itself, demonstrate the rate impact on SWS’s existing customers or the benefits to Placid Lakes’ customers.

¹⁶ The proposed rate base value of \$5,750,000 is approximately 704.3 percent of Placid Lakes’ year-end 2024 NBV.

Based on the record, we find that SWS's proposed \$5,750,000 rate base value for Placid Lakes represents approximately 2.9 percent of SWS's \$195,393,737 NBV. Accordingly, we find that SWS's NBV relative to the proposed rate base value of Placid Lakes is 2.9 percent.

Alternate rate base value

Section 367.0811, F.S., provides an alternative procedure for establishing the rate base value of an acquired utility system. Under Section 367.0811(3)(b), F.S., the rate base value established may not exceed the lesser of (1) the negotiated purchase price or (2) the average of the three appraisals conducted under subsection (4). Section 367.0811(6)(b), F.S., further authorizes us, in the public interest, to grant the petition in whole or in part, with modifications, or to deny it. Thus, the lesser-of calculation establishes the maximum approvable value; we must determine the appropriate value based on the competent and substantial evidence in the record.

SWS witness Twomey testified that the Utility requested an alternative rate base value of \$5,750,000 for Placid Lakes. This amount is the negotiated purchase price as set forth in the Asset Purchase Agreement (APA). The purchase price of \$5,750,000 is less than the average of the three independent appraisals of fair market value, or \$6,506,633. Thus, the purchase price is the lesser of the two values and shall be used as the proposed alternative rate base value pursuant to Section 367.0811, F.S., and Rule 25-30.0372, F.A.C.

SWS retained three licensed appraisers selected from our approved list to value the Placid Lakes water and wastewater systems. Each appraiser considered the cost, market, and income approaches to value in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

In developing the appraisals, each appraiser relied, in part, on the *Water and Wastewater Treatment Facilities Assessment Report* (Engineering Assessment) prepared by SWS witness Magro of Aclus Engineering, LLC (Aclus). The Engineering Assessment was based on a May 27, 2025, site visit and reviews of available documentation, sampling results, reports, and regulatory permits. The Engineering Assessment evaluated the existing water and wastewater facilities, including installed equipment, system capacities, treatment processes, general facility condition, and regulatory compliance, and developed an opinion of probable replacement cost and a 3-year CIP. The assessment concluded that the observed water and wastewater facilities were fully operational and generally in good condition while exhibiting normal wear. The Engineering Assessment estimated the depreciated replacement cost of the combined water and wastewater facilities at approximately \$11.5 million. The assessment also identified approximately \$2.13 million in capital improvements anticipated over the following three years to address known deficiencies, rehabilitation needs, and regulatory compliance improvements. The Engineering Assessment did not include a comprehensive physical condition assessment of the water distribution or wastewater collection systems and did not include flow, pressure, leakage, hydrant, or closed-circuit television testing. The significance of these limitations is addressed below.

The three generally recognized approaches used to value the system in this proceeding are the cost, market, and income approaches. Under the cost approach, value is estimated based on the current cost of replacing or reproducing a utility's assets, with appropriate consideration given to depreciation and other forms of obsolescence. The market approach develops an indication of value by reference to sales or other market transactions involving comparable utility systems, with adjustments made as appropriate for differences between the systems. The income approach estimates value based on the economic benefits expected to be generated by operating the utility, generally through the capitalization or discounting of anticipated future income or cash flows. Each appraiser weighted the valuations produced by each approach based on the relevance of each approach and the availability and reliability of supporting data.

I. Appraisals of Fair Market Value

Appraiser and SWS witness Festa, with Marshall & Stevens Incorporated, determined a fair market value of \$7,365,900 as of June 30, 2025. Under the cost approach, witness Festa relied primarily on replacement-cost information developed by Aclus, independently tested that information for reasonableness, and adjusted depreciation for physical condition, functional obsolescence, and remaining useful life. He also used the Engineering Assessment to adjust the remaining lives of certain assets. The cost approach produced an indicated value of \$10,841,200. Under the income approach, witness Festa discounted projected cash flows using an 11.5 percent weighted average cost of capital (WACC), producing an indicated value of \$2,153,000. He considered publicly traded water utilities and comparable transactions under the market approach but assigned that approach no weight because the available information was insufficient to produce a reliable indication of value. Witness Festa assigned 60 percent weight to the cost approach and 40 percent to the income approach, resulting in his \$7,365,900 conclusion.¹⁷

Appraiser and SWS witness Wright, of NewGen Strategies and Solutions, LLC, determined a fair market value of \$5,744,000 for the Placid Lakes system as of June 12, 2025. Witness Wright considered the cost, sales comparison, i.e., market, and income approaches. Under the cost approach, witness Wright developed an original cost less accumulated depreciation (OCLD) valuation of \$4,743,000 and a reproduction cost new less accumulated depreciation (RCNLD) valuation of \$13,786,000, relying on replacement-cost information from the Engineering Assessment and applying depreciation to account for the age and physical deterioration of the assets. Under the sales comparison approach, witness Wright reviewed transactions involving other water and wastewater utilities and developed valuations of approximately \$5,004,000 based on sales price to OCLD and \$6,062,000 based on sales price per customer.

However, witness Wright also did not rely on the market approach because of the limited availability of complete comparable transaction data and the difficulty of adjusting utility transactions for differences in location, system characteristics, growth prospects, and other factors affecting value. Under the income approach, witness Wright performed a discounted cash flow analysis over a 10-year period, incorporating anticipated asset retirements and

¹⁷ The 60/40 weighting of the cost and income approaches calculate to \$7,365,920.

replacements identified in part through the Engineering Assessment, and discounted projected cash flows using a 9.5 percent weighted average cost of capital. The income approach produced an indicated value of \$5,744,000. After considering the relative strengths and weaknesses of the three approaches, witness Wright concluded that the income approach best represented fair market value because it reflected the prospective cash flows available to a hypothetical purchaser. He therefore concluded a final fair market value of \$5,744,000.

Appraiser and SWS witness Ling, of Raftelis Financial Consultants, arrived at a fair market value of \$6,000,000 to \$7,000,000 for the Placid Lakes systems. Witness Ling considered all three valuation approaches, using the RCNLD method under the cost approach, a capitalization of cash flow method under the income approach, and the guideline public company method under the market approach. Under the cost approach, witness Ling developed an indicated value of \$6,540,000 after adjustments that included a \$559,000 allowance for deficiencies and deferred maintenance identified in part through the Engineering Assessment, external depreciation, and an allowance for going-concern value. The income approach capitalized approximately \$315,000 of normalized annual cash flow at a 6.5 percent capitalization rate and produced an indicated value of \$5,120,000, while the guideline public company method produced an indicated value of \$7,470,000. After applying applicable control and marketability adjustments, the respective valuations were approximately \$5,890,000 under the cost approach, \$4,610,000 under the income approach, and \$8,730,000 under the market approach. Those three indications average \$6,410,000. Witness Ling did not assign mathematical weights to the three approaches, concluding that no single method provided a more precise indication of value, and instead reconciled the results using professional judgment to arrive at its final fair market value of \$6,000,000 to \$7,000,000.

Using witness Festa's \$7,365,900 conclusion, witness Wright's \$5,744,000 conclusion, and the \$6,410,000 average of witness Ling's three adjusted value indications, the average of the three appraisal values is \$6,506,633. Because the \$5,750,000 negotiated purchase price is less than this average, it establishes the statutory maximum that may be approved.

In addition to the \$5,750,000 purchase price, witness DeStefano testified that SWS proposes to include approximately \$392,669 in estimated fees, transaction and closing costs, and appraisal costs in rate base, consistent with Section 367.0811(3)(b), F.S., which specifically authorizes inclusion of reasonable transaction and closing costs incurred by the acquiring utility. The proposed journal entries to record the acquisition were entered into the record at the hearing. Pursuant to Section 367.0811(3)(b), F.S., the proposed rate base value has not been adjusted to reflect contributions-in-aid-of-construction or used and useful determinations.

Witness DeStefano prepared a 5-year Rate Impact Analysis comparing the customer rate impact of the FMV rate base versus the traditional cost method. Witness Twomey projected that Placid Lakes customer rates will decrease over the following 5-year period, or when Placid Lakes' rates are consolidated with SWS's in a future rate case. Average water bills are projected to decline from \$31.72 per month to \$28.42 per month and wastewater bills from \$139.50 per month to \$88.44 per month (at average usage levels) by 2029. SWS demonstrated that Placid Lakes customers would face higher rates on a stand-alone basis.

In its post-hearing brief, SWS contended that the requested \$5,750,000 rate base satisfies Section 367.0811, F.S., because it is the purchase price and is less than the \$6,506,633 average of the three appraisals. SWS further relied on the random selection and licensure of the appraisers, its testimony that the appraisals complied with USPAP, and the absence of any adjustment for CIAC or used and useful considerations. OPC argued that limitations in the engineering assessment and assumptions used in the valuation approaches materially overstate the appraised values and asks us to require a corrected engineering assessment and revised appraisals.

We agree with OPC that we are not required to accept an appraisal merely because the appraiser was properly selected and licensed or because the appraisal states that it complies with USPAP. Section 367.0811(6)(b), F.S., permits us to grant the petition in whole or in part, with modifications, or to deny it. Therefore, the testimony elicited through cross-examination and the admitted exhibits must be weighed along with the appraisers' opinions. However, OPC did not sponsor a competing appraisal, corrected engineering assessment, or quantified adjustment to any appraised value. The absence of a competing expert opinion is not dispositive, but it limits the record from which we can determine that a particular criticism reduces the average appraisal below the purchase price.

Regarding the engineering assessment, witness Magro acknowledged that his was a cursory, rather than comprehensive, review and that he did not conduct flow, pressure, leakage, hydrant, or closed-circuit television testing. The report also excluded an assessment of the physical condition of the distribution and collection systems. These limitations are relevant when evaluating the resulting indications of value that rely on the assessment. Nevertheless, Section 367.0811(4), F.S., does not prescribe the particular field tests that must be performed. Further, witness Magro testified that the engineering assessment performed is consistent with engineering assessments commonly performed in acquisitions such as the Placid Lakes proposal.

Witness Magro also testified that he was able to observe and review everything he desired and was provided sufficient time to perform the scope he was asked to perform. The Hartman report is an appraisal that was performed on behalf of SWS independent of this FMV proceeding and is confidential. Witness Magro testified that he used the prior Hartman report only for pipe length, age, and material information that was not otherwise available, and that the prior valuation did not influence his engineering conclusions. Witness Twomey also testified that the prior confidential appraisal was not provided to the three testifying appraisers. Thus, the record does not establish OPC's asserted circularity or that a prior valuation predetermined the three appraisal conclusions.

OPC also challenged assumptions underlying the three appraisals. Regarding witness Festa, OPC cited the unexplained reference to a zero-percent state tax rate, the use of a team member to prepare the income analysis, and the sensitivity of that analysis to the selected 11.5 percent discount rate. Witness Festa testified that a one-percentage-point discount rate increase would reduce the income-approach enterprise value by approximately \$1.9 million, while a one-percentage-point discount rate decrease would increase it by approximately \$2.4 million. The income indication, however, received 40 percent weight, and the record does not quantify the

effect of correcting the challenged inputs on his final \$7,365,900 conclusion. The omission of Commission depreciation rates does not, standing alone, invalidate the appraisal because it is not a cost-of-service depreciation study.

Witness Ling explained that OPC's cited 1.1 percent historical consumption growth rate was not comparable to her 2 percent long-term growth assumption. She also clarified that the challenged discount-rate table was a general analytical framework and did not contain the inputs used to determine her 8.5 percent discount rate. Witness Wright explained that his 9.5 percent WACC and hypothetical capital structure reflected market-participant assumptions and that he did not rely on the sales-comparison approach because complete comparable-transaction data were unavailable. His \$5,744,000 conclusion was the lowest of the three and was \$6,000 below the purchase price. Accordingly, OPC's criticisms affect the weight afforded the appraisal evidence, but the record does not quantify an adjustment to any final appraisal conclusion.

We have also reviewed the numerical comparisons in OPC's brief. The first comparison placed witness Wright's market-participant discounted cash flow inputs beside SWS's 5-year regulatory rate-impact inputs. The two analyses serve different purposes and use different data and assumptions. The differences included WACC, O&M, depreciation, and tax amounts and do not indicate any errors or establish that either analysis is unreliable. Both sets of data are projections and provided by two separate parties.

We could not replicate OPC's second comparison from the cited 2025 Placid Lakes Annual Report. In its 2025 Annual Report, Placid Lakes lists \$790,017 of operating expenses, \$145,289 of depreciation expense, \$48,098 of CIAC amortization, \$104,480 of taxes other than income, and a 6.38 percent total weighted cost of capital. The \$583,948 O&M amount cited by OPC instead appears in SWS's rate-impact analysis and cumulative present value of the revenue requirements, not the 2025 Annual Report. Consequently, we do not find that OPC's numerical comparisons demonstrate a defect in the appraisals.

In sum, OPC identified limitations and sensitivities that warrant consideration in weighing the appraisal evidence. After considering those criticisms, we find that SWS met its burden to support the requested alternative rate base value. Each appraisal was prepared by a licensed appraiser selected from our approved list, considered the generally recognized valuation approaches, and was supported by testimony and admitted exhibits. The three appraisal values average \$6,506,633, which exceeds the \$5,750,000 negotiated purchase price. The purchase price therefore establishes the statutory ceiling. Although OPC's criticisms may affect the weight afforded portions of the appraisal evidence, the record does not provide a reliable basis to calculate a lower alternative rate base value. Accordingly, we find that the alternative rate base value for Placid Lakes is \$5,750,000.

Public interest

In determining if the proposed transaction is in the public interest Section 367.0811(9), F.S., requires us to consider eight items: quality of service; compliance with regulatory requirements; rate reductions or rate stability; cost efficiencies; arms-length transaction;

economies of scale; acquiring utility's net book value and proposed rate base value of utility being acquired; and acquiring utility's greater access to capital.

Our analyses have found that there should be improvements in the overall quality of service and regulatory compliance, a reduction in rates once consolidation with SWS is completed, cost efficiencies, economies of scale, and greater access to capital once Placid Lakes is purchased by the Utility. The Placid Lakes water and wastewater systems have been well-maintained but are 40-year-old systems that will require substantial upgrades in the near future as detailed by witness Magro. SWS has demonstrated that it has the financial means and technical expertise to operate Placid Lakes. The proposed transaction is an arms-length transaction since Placid Lakes and SWS are two independent, unrelated corporate entities with no shared ownership or affiliation. Finally, the proposed rate base value of \$5,750,000 is less than the average of the three appraisals testified to by witnesses Festa, Wright and Ling. While OPC raised several criticisms of the data and techniques used by the appraisers, the record does not contain a corrected appraisal or quantified adjustments supporting a reduction in the \$5,750,000 purchase price. In sum, SWS has presented competent, substantial evidence demonstrating that all of the items listed in Section 367.0811(9), F.S., have been addressed and found to advance the purpose of the statute with minimum impact on the utility's existing customers.

Based on the above, we find that the appropriate alternative rate base value for Placid Lakes Utilities, Inc. of \$5,750, 000 is compliant with Section 367.0811, F.S., and is in the public interest.

Therefore, it is

ORDERED by the Florida Public Service Commission that the proposed transaction by Sunshine Water Services Company pursuant to Section 367.081(9), F.S., establishing the alternative rate base value of Placid Lakes Utilities, Inc. at \$5,750,000, is in the public interest and is found to advance the purpose of the statute with minimum impact on existing customers. It is further

ORDERED that Sunshine Water Services Company's net book value as of December 31, 2024, is approximately \$195,393,737. The alternative rate base value of Placid Lakes Utilities, Inc. is \$5,750,000, which represents approximately 2.9 percent of Sunshine Water Services Company's net book value. It is further

ORDERED that Sunshine Water Services Company has demonstrated that: it has greater access to capital than Placid Lakes; is an arms-length transaction; is expected to generate economies of scale; is expected to provide cost efficiencies; is expected to result in rate stability over a long-term period; should result in improvements in regulatory compliance; and should result in improvements in overall quality of service. It is further

ORDERED that no performance goals are necessary at this time. Should future circumstances demonstrate otherwise, the Commission has the authority to evaluate the Utility's performance in subsequent proceedings. It is further

ORDERED that the projected rate impact of the proposed transaction over the next five years is a decrease to the monthly residential bill for a residential bill for a 5/8-inch x 3/4-inch meter from \$31.72 to \$28.42 for water and \$139.50 to \$88.44 for wastewater. It is further

ORDERED that a rate stabilization plan shall not be instituted for Placid Lakes Utilities, Inc. It is further

ORDERED that the docket shall be closed upon the expiration of the time for filing an appeal.

By ORDER of the Florida Public Service Commission this 21st day of October, 2026.



ADAM TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SBr

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or

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wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.