

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company.

DOCKET NO. 20240068-WS
ORDER NO. PSC-2025-0196-FOF-WS
ISSUED: June 6, 2025

The following Commissioners participated in the disposition of this matter:

MIKE LA ROSA, Chairman
ART GRAHAM
GARY F. CLARK
ANDREW GILES FAY
GABRIELLA PASSIDOMO SMITH

FINAL ORDER GRANTING IN PART AND DENYING IN PART SUNSHINE WATER SERVICES COMPANY PETITION FOR RATE INCREASE

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ACRONYM TABLE

The following abbreviations used herein are listed below for reference purposes:

AA	Accumulated Amortization
ADIT	Accumulated Deferred Income Tax
AFUDC	Allowance for Funds Used During Construction
AFPI	Allowance for Funds Prudently Invested
AMI	Advanced Metering Infrastructure
AMR	Automated Meter Reading
ARV	Air Release Valve
BFC	Base Facility Charge
BR	Brief
BSP	Bates Stamped Page
BV	Buena Vista
CFX	Central Florida Expressway
CIAC	Contributions-in-Aid-of-Construction
CII	Corix Infrastructure Inc.
CRU-US	Corix Regulated Utilities (U.S.), Inc.
CWIP	Construction Work in Progress
DEP	Department of Environmental Protection
EQ	Equalization
ERC	Equivalent Residential Connection
EUW	Excessive Unaccounted for Water
EWD	Englewood Water District
EXH	Exhibit
F.A.C.	Florida Administrative Code
FDOT	Florida Department of Transportation
FM	Force Main
FMV	Fair Market Value
F.S.	Florida Statutes
GDP	Gross Domestic Product
GM	Gravity Main
HPDE	High Density Polyethylene

IDC	Interest During Construction
IRS	Internal Revenue Service
LS	Lift Station
LUSI	Lake Utility Services, Inc.
MFRs	Minimum Filing Requirements
MCL	Maximum Contaminant Level
MGD	Millions Gallons Per Day
NARUC	National Association of Regulatory Utility Commissioners
O&M	Operation and Maintenance
OPC	Office of Public Counsel
OW	Orangewood
PAA	Proposed Agency Action
PFAS	Per- and Poly-Fluoroalkyl Substances
PVC	Polyvinyl Chloride
RAFs	Regulatory Assessment Fees
RAS	Return Activated Sludge
RRA	Regulatory Research Associates
ROE	Return on Equity
RTU	Remote Terminal Unit
SCADA	Supervisory Control & Data Acquisition
SH	Service Hearing Transcript
TOTI	Taxes Other than Income
TR	Transcript
U&U	Used and Useful
UIF	Utilities, Inc. of Florida
USOA	Uniform System of Accounts
WACC	Weighted Average Cost of Capital
WM	Water Mains
WSC	Water Service Corporation
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

BY THE COMMISSION:

Background

Sunshine Water Services Company (Sunshine or Utility) is a Class A utility providing water and wastewater services to approximately 35,171 water and 29,547 wastewater customers in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties. Rates were last established for this Utility in its 2020 rate case.¹

On June 28, 2024, Sunshine filed its application for the rate increase at issue in the instant docket. The Utility elected to proceed directly to hearing pursuant to Section 367.081, Florida Statutes (F.S.). On July 26, 2024, our staff sent the Utility a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs). The Utility filed a deficiency response letter that cured its deficiencies on August 1, 2024. Thus, the official filing date is August 1, 2024.

The Utility's application for an increase to water and wastewater rates is based on the historical 13-month average period ended December 31, 2023, and includes adjustments for pro forma projects. Sunshine has also requested an increase in its meter installation charges.

Additionally, Sunshine requested authorization to defer benefits and costs incurred as a result of its parent company's merger. In 2022, Sunshine's parent companies, Corix Infrastructure Inc. and Corix US, entered into a transaction agreement to merge its businesses with IIF Subway Investment LP, SWMAC, and SouthWest Water Company. As the transaction occurred at the parent level, Sunshine was not directly affected.

On August 28, 2024, we suspended final rates proposed by the Utility to allow our staff sufficient time to process this case.²

On April 23, 2024, the Office of Public Counsel (OPC) filed a petition to intervene.³ However, OPC subsequently filed a notice withdrawing this petition on May 7, 2024.⁴ On September 19, 2024, OPC filed another petition to intervene.⁵ On September 25, 2024, an Order was issued acknowledging intervention by OPC.⁶

Four customer service hearings were held: two virtual hearings on December 3, 2024 and December 19, 2024 and two in-person hearings on December 17, 2024.

¹Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. cf Florida.*

²Order No. PSC-2024-0378-PCO-WS, issued August 28, 2024, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company.*

³Document No. 02277-2024.

⁴Document No. 02835-2024.

⁵Document No. 09087-2024.

⁶Order No. PSC-2024-0435-PCO-WS, issued September 25, 2024, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company.*

A formal evidentiary hearing was held February 11-13, 2025. At the hearing, we approved Type 1 stipulations⁷ and Type 2 stipulations⁸ for certain issues, which are incorporated herein.⁹ The parties filed briefs on March 14, 2025. Our staff filed a recommendation in this matter on April 24, 2025. On May 6, 2025, we voted on the Utility's file requested rates.

This Order addresses the Utility's final requested rates. We have jurisdiction pursuant to Section 367.081, F.S.

Decision

I. Quality of Service

A. Quality of Service (Issue 1)

a) Analysis

Pursuant to Section 367.081(2)(a)1, F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in every rate case, we shall make a determination of the quality of service provided by the utility by evaluating the quality of the Utility's product (water) and the Utility's attempt to address customer satisfaction (water and wastewater). The rule requires that the most recent chemical analyses, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department, along with any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints shall also be considered. The operating condition of the water and wastewater systems are addressed in our analysis of Infrastructure and Operating Conditions (Issue 2).

Rule 25-30.433(1), F.A.C., requires that the testimony of a utility's customers be considered in a rate case proceeding. Two virtual and two in-person service hearings were held in December of 2024. A total of 13 customers and one appointed official testified at the service hearings. Each customer that testified expressed their dissatisfaction with Sunshine's proposed rate increase; some customers also expressed concerns regarding odor, discolored water, and difficulty reaching customer service representatives of the Utility. Sunshine serves approximately 65,000 customers across 23 systems and 10 counties. Overall customer

⁷A Type 1 stipulation occurs on an issue where the utility and intervenors agree on the resolution of the issue.

⁸A Type 2 stipulation occurs when the utility and our staff, or the utility and at least one party adversarial to the utility, agree on the resolution of the issue and the remaining parties (including our staff if they do not join in the agreement) do not object to us relying on the agreed language to resolve that issue in a final order.

⁹OPC's position on each Type 2 stipulation is as follows:

OPC takes no position on these issues, nor does it have the burden of proof related to them. As such, the OPC represents that it will not contest or oppose the Commission taking action approving a proposed stipulation between the Company and another party or staff as a final resolution of the issue. No person is authorized to state that the OPC is a participant in, or party to a stipulation on these issues, either in this docket, in an order of the Commission or in a representation to a Court.

participation at the service hearings has decreased since the Utility's last rate case in 2020 by approximately 69 percent, where a total of 42 customers testified.¹⁰

DEP provided compliance and complaint data from January 2019 through August 2024, which was included in the hearing record. DEP received a total of 52 complaints during this approximately 5-year period: 11 for water and 41 for wastewater. The water complaints were primarily regarding odor, color, and exceedances in iron levels. The wastewater complaints were all regarding odor.

The Utility provided the complaints it received during the test year and four years prior in Vol. III of its MFRs. There were 894 billing and 1,718 service complaints for the test year for all of the Utility's systems. Sunshine's secondary water quality complaints for the four years prior to the test year amounted to 1,092 complaints, with some complaints having been addressed in prior rate proceedings.

As of March 25, 2025, there were a total of 74 comments, filed by 72 customers, in the docket file. Sunshine serves over 65,000 water and wastewater customers; therefore, approximately 0.11 percent of the Utility's customers provided comments in the instant docket. Our staff analyzed all comments in the docket file and a total of 70 customers provided comments expressing their discontent with the proposed rate increase. In addition, 8 customers provided comments regarding the quality of service and addressed their dissatisfaction with the odor and color of their water product. Several customers provided comments also expressing their dissatisfaction with the Utility's customer service.

We received a total of 107 complaints from July 1, 2020, through June 30, 2024, with 68 percent of the complaints concerning billing issues, and 32 percent concerning quality of service issues. Staff witness Calhoun testified that most complaints for the analyzed 4-year period came from Seminole County, with 59 complaints, followed by Lake County with 29 complaints. Of the total complaints for both Seminole and Lake Counties (88), 19 complaints address quality of service issues. Our staff noted that Sunshine serves over 17,000 water and 11,000 wastewater ERCs in Seminole County (Sanlando and Seminole) and over 15,000 water and 8,000 wastewater equivalent residential connection (ERCs) in Lake County (LUSI and Pennbrooke). The total customer complaints received by us represents 0.28 percent of Sunshine's customer base within Seminole and Lake Counties and 0.16 percent of the Utility in its entirety. Witness Calhoun also stated that the Utility may have violated Commission rules for eight of the 107 complaints received by us. Of these potential rule violations, witness Calhoun testified that one complaint was for service quality and the remaining seven related to billing issues.

In Vol III of its MFRs, Sunshine provided the required engineering information pursuant to Rule 25-30.437, F.A.C. In evaluating Sunshine's product quality (water), we reviewed the Utility's compliance with DEP's primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may

¹⁰Order No. PSC-2021-0206-FOF-WS, dated June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. cf Florida.*

impact the taste, odor, and color of drinking water. Currently, all of the Utility’s water systems are in compliance with DEP’s rules and regulations and are under no formal enforcement action or violation. Additionally, all of Sunshine’s wastewater systems are in compliance with DEP, with the exception of the Sanlando (Wekiva Hunt Club) and Mid-County wastewater systems.

In the pages that follow, we analyze the quality of the Utility’s product, pursuant to Rule 25-30.433(1), F.A.C. Our analysis consists of: 1) a discussion of the systems that we deem satisfactory, were satisfactory in the last rate case, and not contested by OPC; and 2) a discussion of the systems that we find are unsatisfactory, were considered unsatisfactory in the last rate case, or are contested by OPC in the instant docket. Table 1 summarizes the quality of service determinations from Sunshine’s last rate case and the recommended determinations by Sunshine, OPC, and our findings, by system.

Table 1
Quality of Service Determination Summary

System	Last Rate Case Determination	Sunshine Recommendation	OPC Recommendation	Commission Approved
Cypress Lakes	Satisfactory	Satisfactory	-	Satisfactory
Lake Placid	Satisfactory	Satisfactory	-	Satisfactory
Marion-Golden Hills/Crownwood	Satisfactory	Satisfactory	-	Satisfactory
Orange-Crescent Heights/Davis Shores	Satisfactory	Satisfactory	-	Satisfactory
Pasco-Orangewood/Buena Vista/Wis-Bar	Satisfactory	Satisfactory	-	Satisfactory
Pinellas-Lake Tarpon	Satisfactory	Satisfactory	-	Satisfactory
LUSI	Satisfactory	Satisfactory	-	Satisfactory
Pennbrooke WTP	Unsatisfactory	Satisfactory	-	Satisfactory
Pennbrooke WWTP	Satisfactory	Satisfactory	-	Satisfactory
Pasco-Labrador	Satisfactory	Satisfactory	-	Satisfactory
Pasco-Summertree	Satisfactory	Satisfactory	-	Satisfactory
Eagle Ridge	Satisfactory	Satisfactory	-	Satisfactory
Tierra Verde	Satisfactory	Satisfactory	-	Satisfactory
Sandalhaven	Satisfactory	Satisfactory	-	Satisfactory
Seminole-All Systems*	Satisfactory	Satisfactory	-	Satisfactory
Sanlando WTP**	Satisfactory	Satisfactory	-	Satisfactory
Sanlando (Wekiva Hunt Club) WWTP	Unsatisfactory	Satisfactory	Unsatisfactory	Unsatisfactory
Mid-County	Unsatisfactory	Satisfactory	Unsatisfactory	Unsatisfactory

Systems with Satisfactory Determination in Last Rate Case and Uncontested Satisfactory Quality of Service

The water and wastewater systems identified in Table 1 as satisfactory in the “Commission Approved” column are in compliance with DEP requirements, including secondary water quality standards, had minimal customer participation at the service hearings, received few, if any, quality of service complaints, and were found to have satisfactory quality of

service in the last rate case.¹¹ As noted above, OPC did not identify any quality of service issues with these systems. As such, we find the quality of service for these systems shall be considered satisfactory.

Notably, in its 2016 rate case, we found the quality of service of the Pasco-Summertree system to be unsatisfactory, with a 100-basis point reduction to the Utility's ROE.¹² This determination was based upon the Utility not maintaining secondary water quality standards and customer complaints. Since its interconnection with Pasco County Utilities in December 2016, Pasco-Summertree purchases bulk water from Pasco County. As a reseller of water, Pasco-Summertree is not subject to DEP's secondary water standards. However, due to the high volume of customer complaints in the previous rate proceedings, we required the Utility to perform and report secondary water quality testing for this system.¹³ Since 2016, and the Utility's subsequent rate proceeding in 2020, the number of customer complaints about this system have dropped dramatically while water quality has risen. As identified in Table 1, we now find the quality of service for this system to be satisfactory. Therefore, we find that the reporting requirements for the Pasco-Summertree system shall no longer be required.

Systems with Unsatisfactory Determination in Last Rate Case or Contested Satisfactory Quality of Service

OPC argued the quality of service should be unsatisfactory for the Sanlando (Wekiva Hunt Club) and Mid-County wastewater systems. Also, OPC argued that a reduction of 50-basis points should be imposed to Sunshine's ROE and that we should also consider customer rebates, officer salary reductions, and a penalty for mismanagement. In opposition to OPC, Sunshine argued all of its systems should be considered satisfactory. We previously found the overall quality of service of the Utility to be satisfactory with the exclusion of the Pennbrooke water, Sanlando, and Mid-County wastewater systems. As a result, we reduced the Utility's overall ROE by 15 basis points.¹⁴ Below, we discuss the following systems in greater detail: Pennbrooke water system, Sanlando (Wekiva Hunt Club), and Mid-County, since these systems were determined to be unsatisfactory in the last rate case and also because OPC raised issues with these systems in this rate proceeding.

Pennbrooke (Water)

We previously found the quality of service to be unsatisfactory for this system. This determination was due to excess levels of iron and customer complaints regarding discolored

¹¹Order No. PSC-2021-0206-FOF-WS, dated June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. cf Florida.*

¹²Order No. PSC-2017-0361-FOF-WS.

¹³Order No. PSC-2021-0206-FOF-WS, dated June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. cf Florida.*

¹⁴Order No. PSC-2021-0206-FOF-WS, dated June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. cf Florida.*

water, sediment, low pressure, and high iron. However, the Pennbrooke system is currently in compliance with DEP.

The Pennbrooke WTP serves approximately 1,251 ERCs. During the 5-year period from 2020-2024, Sunshine received a total of 219 billing and 264 quality of service complaints for this system. DEP provided documentation of one complaint for water color during the same timeframe. Based on this data, complaints have decreased overall since the last rate case.

Sunshine is requesting cost recovery of a pro forma project (ST-19), related to water quality improvements for the Pennbrooke system. This project is to replace the existing iron sequestration system and install technology for iron and hardness removal. While the Pennbrooke system is in compliance, Sunshine is taking these steps to further improve the system in response to customer concerns regarding the water quality at this plant. As set forth in our discussion of pro forma plant (Issue 4), we find that this project will address the high iron and magnesium issues this system has experienced. This demonstrates Sunshine's efforts to address the quality of service/water delivered to the customers of the Pennbrooke system.

We find that Sunshine has demonstrated an improvement, since its last rate case, in its product quality and attempt to address customer satisfaction as demonstrated by the declining number of complaints, its pro forma project to address previously recognized iron issues, and its compliant DEP status. Therefore, we find that the quality of service for this system shall be considered satisfactory.

Sanlando (Wekiva Hunt Club) (Wastewater)

We previously found the quality of service to be unsatisfactory for this system. This determination was due to three unauthorized discharges, or sewage spills, at the WWTP. Two additional unauthorized discharges also took place in late 2020, but were not factored into our quality of service determination in Sunshine's last rate case.¹⁵ These two events resulted in an executed DEP Consent Order, dated April 4, 2022, and a penalty in the amount of \$12,502.21 to Sunshine.

Since the last rate case, DEP issued warning letters to Sanlando on March 10, 2021, April 1, 2022, March 2, 2023, March 15, 2023, and March 27, 2023. The majority of the warning letters pertained to sanitary sewer overflows or effluent limited exceedances. The March 2, 2023 warning letter was due to two separate discharges of partially treated effluent, in October and November of 2022. One discharge was related to Hurricane Ian and the other was related to Tropical Storm Nicole. Sunshine witness Twomey testified that Sunshine had officials from DEP review an overflow incident similar to these, and stated that the Utility had done all it could do given the situation. Witness Twomey argued that despite the system being designed to handle twice its authorized flows, it would be very expensive to build a plant that could handle the amounts of flows experienced on those occasions.

¹⁵Order No. PSC-2021-0206-FOF-WS.

On May 24, 2024, Sunshine signed a Consent Order (2024 Consent Order) related to inspections conducted by DEP in early 2022 and previous overflow incidents. DEP found that the chlorine analyzer was not functioning properly, effluent quality was not properly monitored, as well as various other record keeping and plant condition issues. DEP issued Sunshine a penalty in the amount of \$1,217,604. In lieu of paying this full penalty amount, Sunshine entered into an agreement with DEP to implement an in-kind project and pay a penalty of \$318,772 and costs of \$5,000 to DEP. In response, witness Twomey testified that he believed the Sanlando WWTP was mismanaged during this time period and that all of the employees that were working there at the time these inspections occurred have since been replaced. Witness Twomey indicated that the 2024 Consent Order stated that the Utility had corrected all of the violations at the time the 2024 Consent Order was issued.

Sunshine provided customer complaints it received from 2020 to 2024. During that timeframe, Sunshine reported a total of 267 complaints for the Sanlando WWTP. The most common complaint related to clogged sewers, along with service line breaks, and sewer main breaks. For this same time period, DEP received 37 odor complaints, of which, 33 complaints were in 2022. We received 59 total complaints from Seminole County, where the Sanlando system is located. The Sanlando WWTP provides service to 9,762 ERCs. Therefore, even if all Commission complaints received for Seminole County are attributed as being associated with the Sanlando system, the overall number of complaints per year represents less than 1 percent of the ERCs served by this system.

In its brief, OPC argued that the Sanlando system should be deemed unsatisfactory, and Sunshine's ROE reduced by 50-basis points, largely due to its compliance history with DEP and customer complaints. Additionally, OPC argued that we should require Sunshine to institute an annual improvement and reporting requirement to be monitored by Commission staff. In support of its position, OPC discussed the system's DEP compliance history since 2017. While we already considered much of this history in the Utility's last rate case, the instances that occurred in the time period following Sunshine's last rate case were addressed in this rate case.

In its brief, OPC also discussed the two pro forma projects, ST-17 and ST-18, for the Sanlando system. ST-17 is to replace an existing force main. As part of ST-18, Sunshine installed a new floating mixer in the equalization (EQ) tank to improve the aeration process and mix tank contents to prevent any accumulation of solids. ST-18 is in response to the 2024 Consent Order discussed above, but is not the in-kind project discussed above. These pro forma projects (Issue 4) are specifically addressed later in this Order.

Based on the above, Sanlando has encountered additional overflow incidents since its last rate case which resulted in the previously discussed DEP actions. However, it appears that this system has minimal complaints and Sunshine is working to return this system to compliance. While Sunshine argued that Sanlando was in compliance with DEP, the in-kind project from its most recent Consent Order has not yet been completed and there is no Return to Compliance Letter from DEP in the record. Therefore, it appears this system is currently not in compliance with DEP.

Additionally, witness Twomey indicated that the employees responsible for this system at the time of the inspections associated with the 2024 Consent Order have all been replaced. It appears Sanlando's quality of service has improved, but there have also been compliance issues that occurred since the last rate case. As a result, we find that the quality of service for the Sanlando WWTP shall remain unsatisfactory. As a result, we find that Sunshine shall be required to file an annual report that details any DEP compliance issues for the Sanlando system for the preceding year. Sunshine shall file its first report one year after this Order is issued.

Mid-County (Wastewater)

We previously found the quality of service to be unsatisfactory for this system in the last rate case. This determination was due to effluent violations, failure to submit proper paperwork, sanitary overflows, and the Utility's failure to submit public notices of pollution for those overflows.

Since the last rate case, DEP has continued to recognize this system for its effluent violations. On August 24, 2020, January 25, 2021, March 10, 2021, and July 23, 2021, DEP issued warning letters for sanitary sewer overflows. These warning letters led to an August 16, 2021, Consent Order which was ultimately issued for an unauthorized discharge of 1,143,600 gallons of partially treated wastewater at the plant. Sunshine paid a fine and completed an in-kind project in order to satisfy DEP's requirements for this Consent Order. This Consent Order was closed in June of 2022.

On April 14, 2023, Sunshine was sent a Compliance Assistance Letter based on a compliance evaluation inspection. This letter cited certain exceedances and four sanitary sewer overflows that were released from the Mid-County collection system between February 2022 and February 2023. Sunshine resolved this letter on June 16, 2023.

Between December 2023 and January 2024, Mid-County had three unauthorized discharges that were released from its collection system, which resulted in subsequent warning letters. Witness Twomey testified that despite the fact that Sunshine took action to deal with these spills, Utility personnel failed to test the waters of a creek adjacent to the spills. This testing was a part of Sunshine's spill response plan, and the failure to test the creek waters was the reason for the August 1, 2024 Consent Order being issued. Sunshine is currently in the final stages of completing an in-kind project to satisfy the Consent Order. Additionally, on September 9, 2024, DEP issued a warning letter for sanitary sewer overflows due to Hurricane Debby.

Sunshine provided customer complaints it received from 2020 to 2024. During that timeframe, Sunshine reported a total of 64 complaints for the Mid-County WWTP. Most of these complaints were for clogged sewers, but others related to sewer main breaks, service line breaks, and odor. Witness Calhoun testified that zero complaints were reported to us from Pinellas County, the county in which the Mid-County WWTP is located. Additionally, DEP reported zero complaints for this system during that time. For context, this system serves 3,199 ERCs.

While the Mid-County WWTP is currently considered to be out of compliance with DEP, witness Twomey indicated that the Mid-County WWTP is also at the end of its useful life. As a result, a new plant is currently under construction; but, due to the anticipated completion date,

this project is not part of the instant docket but Sunshine indicated it may request cost recovery for this project in a subsequent proceeding.

As stated above, OPC argued that the Mid-County wastewater system should be deemed unsatisfactory for its demonstrated history of non-compliance with DEP and recommends Sunshine's ROE be reduced by 50-basis points. In its brief, OPC summarized the system's compliance history, which we've addressed herein for the time period following Sunshine's last rate case until the present.

While there may be few customer complaints for this system, it is apparent that overflows are still an issue. Mid-County previously had overflow issues in 2015, 2016, and 2019, which we already considered in Sunshine's quality of service determination of unsatisfactory in its prior rate case. Due to subsequent overflow issues in 2021, 2023, and 2024, which resulted in the issuance of a DEP Consent Order, we find the quality of service for Mid-County to still be unsatisfactory. Similarly to the Sanlando system, Mid-County's quality of service was found to be unsatisfactory in Sunshine's last rate case for similar reasons that have continued and are recognized in the current proceeding. As such, Sunshine shall be required to report any DEP compliance issues for the preceding year on an annual basis to us for the Mid-County system as well.

b) Conclusion

Based on the foregoing analysis, we find that that Sunshine's overall quality of service is satisfactory. However, the quality of service for the Sanlando and Mid-County wastewater systems shall be deemed unsatisfactory. Due to the ongoing quality of service issues discussed herein, we find it appropriate to impose a 30 basis point reduction in the Utility's Return on Equity (ROE). In addition, we agree with OPC's recommended reporting requirement; therefore, we find that Sunshine shall be required to file an annual report that details any DEP compliance issues for both the Sanlando and Mid-County wastewater systems for the preceding year. Sunshine shall file its first report one year after this Order is issued. Additionally, we find that the reporting requirements established for the Pasco-Summertree system in the last rate case shall be discontinued.

B. Overall Value (Issue 1A)

a) Analysis

This issue, proposed by OPC, asks whether the overall value to a customer provided by the Utility is satisfactory, and if not, what systems have value issues and what action should be taken by this Commission. Section 367.081(2)(a)1., F.S., provides, in part, that "the Commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. In every such proceeding, we shall consider the *value* and quality of the service and the cost of providing the service. . . ." (Emphasis added) Historically, comprehensive base rate proceedings always include an issue to examine the quality of service provided by the utility. The concept of "value," as provided in Section

367.081(2)(a)1., F.S., has not been historically identified as an independent issue in water and wastewater rate cases, and we have not previously provided an interpretation of the term.

OPC argued that we have broad legislative authority to interpret value as used in Section 367.081(2)(a)1., F.S. Therefore, OPC recommended that value of service should be interpreted as the perceived benefits and costs to customers, regulators, and operations. This is due in large part to the broad legislative grant of authority afforded to us to regulate utility rates. OPC correctly observed that we shall consider value of service in the context of rate setting pursuant to Section 367.081(2)(a)1., F.S.

OPC also contended that a statutory language change between the current law – Section 367.081, F.S. – and its predecessor statute, Section 367.12, F.S., emphasizes why “value” is a subjective calculation. Section 367.12, F.S., set forth the procedure for fixing and changing rates. It provided, in pertinent part, “with respect to all utilities coming under the jurisdiction of the Commission after September 1, 1967, the Commission shall investigate and determine the *fair value* of the utilities’ property used and useful in the public service.” (Emphasis added.) In 1971, Section 367.12, F.S., was repealed and Section 367.081, F.S., was enacted. The Legislature removed “fair” from the statute but retained the term “value,” as is seen in the current statutory language. According to OPC, this revision indicates the Legislature’s intent that we consider “value” apart from any previous economic purpose.

OPC contended that the value of a service is the perceived benefits and costs (of a service) to customers, regulators, and operations. OPC stated that where the Utility has made excessive financial requests of us, such as the Advanced Meter Infrastructure discussed subsequently in this Order (Issue 4A), those requests should be rejected as they do not provide value to the customers, regulators, and system operations.

The Utility proposed that “value” as used in Section 367.081(2)(a)1., F.S., is a part of the quality of service evaluation. According to the Utility, if value was intended by the Legislature to be a separate consideration apart from quality of service the statute would read “value, quality of service and cost of providing service.” The Utility further argued that OPC’s definition of value is subjective and the record contains no testimony to support its definition.

Under Section 367.081, F.S., value of service must be defined within the context of just, reasonable, compensatory, and not unfairly discriminatory rates. In *Keystone*, the Florida Supreme Court provides persuasive guidance as to how we should define value.¹⁶

Keystone involved a rate proceeding that began in May 1971. In August 1972, we entered an order that established, among other calculations, the value of the utility. The *Keystone* rate proceeding is unique insofar as it took place while the Legislature was rewording Chapter 367, F.S. In particular, the Legislature replaced Section 367.12, F.S., with Section 367.081, F.S.

¹⁶*Keystone Water Co. v. Bevis*, 278 So. 2d 606 (Fla. 1973).

Deciding which statute controlled the value of the utility was central to the *Keystone* decision.¹⁷ However, the Florida Supreme Court provided the following observation:

It was certainly the intent of the Legislature that the value of a system coming under the jurisdiction of the Commission . . . should be considered. The passage of Section 367.081 did not change that intent. The Statute has always required that the Commission consider the value of the service. To consider the value of the service requires consideration of what the system in question is worth to the consumers. It means that consideration should be given to the . . . replacement value of the system . . . because if that is what another system would cost under present circumstances that is the value of the service to the consumers.¹⁸

Thus, under either Section 367.12 or 367.081, F.S., the *Keystone* Court treated value of service as an objective measure, utilizing information found in the operational, financial, economic, and rate data filed during the rate proceeding.

OPC suggested that we should consider each utility customer's subjective calculations as to the value of their water or wastewater service. This is problematic because *Keystone* appears to give credence to value of service being an objective financial measure. Even if we adopted OPC's proposed definition, neither party demonstrated how we should calculate each customer's subjective valuation of utility services. With nothing in the record to support a subjective valuation of utility services, we find no reason to depart from the objective value analysis as laid out in *Keystone* for determining "value" as used in Section 367.081, F.S.

Our standard practice in water and wastewater cases is to seek feedback from utility customers in rate proceedings. This rate proceeding was no different. Pursuant to Section 367.0812, F.S., a statute related to quality of service as a criteria in rate making, we hosted several customer meetings in this docket where utility customers spoke directly to us about their service. That customer feedback is understandably subjective by nature and is analyzed in this Order where we address "quality of service" (Issue 1).

The Utility's interpretation of value analyzes it as a component of a quality of service evaluation. The Utility is correct that value is typically subsumed into other rate proceeding issues and not addressed as a standalone issue. However, we are unpersuaded by the Utility's interpretation of value of service as being intrinsically tied to quality of service, and find that Section 367.081, F.S., lists it as separate factor for our consideration. Consistent with our reading of *Keystone*, value of service shall be an objective measure that considers the operational, financial, economic, and rate data filed during a rate proceeding. Unlike value, quality of service considerations are intrinsically subjective. Therefore, the Utility's interpretation is incompatible with our reading of *Keystone*.

¹⁷The Supreme Court concluded that we erred in applying Section 367.081, F.S., when *Keystone's* application for a rate increase was filed while Section 367.12(2)(a), F.S. (1969), was still in effect.

¹⁸278 So. 2d at 611 (internal citations omitted).

In the absence of evidence or persuasive argument, we find that value shall be interpreted within the meaning of Section 367.081, F.S., as an objective factor, consistent with *Keystone*.

b) Conclusion

We must consider value of service when fixing rates which are just, reasonable, compensatory, and not unfairly discriminatory. Value of service is an objective measure. There is no reason for us to depart from this interpretation where there was unpersuasive argument that value of service should encompass each customer's subjective calculations. Therefore, as set forth in Section 367.081, F.S., value of service shall be interpreted as meaning the objective value of the utility. Consistent with this interpretation, we shall measure the value of the Utility's service as the plant investment and the costs to provide service as calculated throughout this Order.

C. Infrastructure and Operating Conditions (Issue 2)

a) Analysis

Rule 25-30.225(2), F.A.C., requires each water and wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with DEP's rules. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, we must consider testimony of DEP and county health department officials, sanitary surveys for water systems and compliance evaluation inspections for wastewater systems, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

OPC argued that seven of Sunshine's 22 total water systems and six of Sunshine's 11 wastewater systems were out of compliance DEP regulations on at least one occasion since Sunshine's last rate case. Additionally, OPC argued that Sunshine was subject to a criminal referral.¹⁹ Therefore, OPC does not believe Sunshine is in compliance with DEP regulations. In opposition, Sunshine argued that all of its systems are currently in compliance with DEP regulations, except Mid-County. In support of its position, Sunshine briefly explained the current compliance status for the Sanlando and Mid-County systems in its brief. DEP compiled the complaint and compliance history for each of Sunshine's systems since its last rate case and this information is contained within hearing Exhibit 113. As of October 29, 2024, when this information was compiled by DEP, the Lake Placid, Mid-County and Sanlando wastewater systems were found to be out of compliance with DEP regulations or under a Consent Order. Witness Twomey testified that Sunshine received a Return to Compliance Letter from DEP in December of 2024 for the Lake Placid system. The Sanlando and Mid-County wastewater systems, which appear to be out of compliance, are discussed below.

¹⁹This is addressed in Issue 28.

Sanlando (Wekiva Hunt Club) (Wastewater)

The Wekiva Hunt Club WWTP of the Sanlando system is an existing 2.9 million gallons per day (MGD) annual average daily flow activated sludge domestic wastewater treatment facility consisting of three 0.97 MGD design capacity package plants connected in parallel. Dechlorination is provided prior to surface water discharge and there are also two 3.0 MG reclaimed water storage tanks. Effluent can be discharged to Sweetwater Creek, a rapid infiltration basin system, and a reuse system.

As addressed in our discussion of quality of service (Issue 1), we find that this system to be unsatisfactory based on Sunshine's compliance history with DEP since its last rate case. In the time period following the 2020 rate case, DEP issued two Consent Orders and five warning letters. The 2024 Consent Order also resulted in a significant fine and the Utility agreed to complete an in-kind project. Both of which are not recovered through rates. As stated above, witness Twomey stated that all Sunshine systems were in compliance with DEP, except Mid-County and in its brief, Sunshine also argued that this system is in compliance. However, witness Twomey explained that the Utility has not yet completed the in-kind project; as such, there is no Return to Compliance Letter from DEP in the record. Therefore, the Sanlando system is out of compliance with DEP regulations.

Mid-County (Wastewater)

The Mid-County WWTP is an existing 0.90 MGD annual average daily flow, advanced wastewater treatment facility consisting of two separate treatment trains. This facility provides advanced wastewater treatment and high-level disinfection. Effluent can be discharged into Curlew Creek.

As addressed in our discussion of quality of service (Issue 1), we find that this system to be unsatisfactory based on Sunshine's compliance history with DEP since its last rate case. In the time period following the 2020 rate case, DEP issued 7 warning letters, 2 Consent Orders, and one Compliance Assistance Letter. At the hearing, witness Twomey argued that Sunshine is in the final stages of completing an in-kind project related to its most recent Consent Order and that Sunshine is also in the process of rebuilding the plant for this system as it is at the end of its useful life. The in-kind project will not be recovered through rates at this time; but, Sunshine stated it may request the cost recovery of the Mid-County plant project in a subsequent proceeding. Therefore, the Mid-County system is out of compliance with DEP regulations.

b) Conclusion

The Utility's water and wastewater treatment facilities are currently in compliance with DEP regulations, with the exception of the Sanlando and Mid-County wastewater systems.

II. Pro Forma Plant

A. Advanced Metering Infrastructure (AMI)(Issue 4A)

a) Analysis

Project Description

Sunshine requested cost recovery for the replacement of its existing water meters for all customers within its service territory. Approximately 37,000 water meters will be replaced, including second meters for irrigation customers, with meters that utilize AMI technology. In addition, 47 communication towers will be installed with long range wide area network meter collectors in sufficiently dense customer areas instead of relying exclusively on cellular technology. The Utility will be implementing a customer engagement portal for customers to access information from the AMI system.

As stated in its brief, OPC opposes this project in its entirety because it believes the Utility did not demonstrate a need for the project or customer benefits. OPC further argued that this project was prioritized above others that presented a greater need. In response, Sunshine argued it has adequately demonstrated the prudence and need for this particular project, as well as customer benefits. Both OPC and the Utility supported their positions with evidence from the record, which is discussed throughout this issue.

Outside of the AMI technology, the pro forma project also incorporates the assessment of the service lines the replacement water meters connect with. This was done to satisfy the federal EPA Lead and Copper Rule Revisions which requires public water systems to prepare and maintain an inventory of service line materials. The assessments will be performed for lines connected to approximately 30,000 meters, as records verified the remaining 7,000 meters were not connected to lead or copper piping. The remaining lines must be field tested to determine material status to be compliant. This service line assessment portion of the overall project is necessary to meet environmental requirements, and as discussed below, this cost is estimated at \$508,000.

Need for AMI Meters

In its description of the program, the Utility stated that the 37,000 meters identified for this project are beyond their useful life which, if not replaced, will result in increased meter errors or estimated bills, customer dissatisfaction, increased operating expenses, and that the use of AMI technology will allow more efficient, automated meter readings. In his direct testimony, Sunshine witness Twomey stated that the Utility's primary goal for the project is improving communication between the Utility and customers, while other motivating factors include promoting conservation, and improved system awareness for the Utility to respond to events.

Witness Twomey stated that customer communication is a benefit of the program that would not be available through an Automated Meter Reading (AMR) alternative. AMI meters provide near real-time updates on a customer's usage data remotely to the Utility and to its customers as compared to AMR's once a month reading. The daily updates are to be available online through the Utility's customer portal where customers can then view their usage data, set

a more dynamic billing cycle for themselves with the Utility, and set notifications to alert them for unusual conditions such as high and continuous usage. Notifications such as leak alerts would be available to customers after AMI installation. This upgrade would enable customers to better manage water consumption, allowing for faster response to system leaks and may result in reducing excessive unaccounted for water. OPC opposes the installation of AMI meters. However, during cross examination by the Utility, OPC witness Smith agreed that the current water meters do not provide the benefits discussed by witness Twomey and that information gained through the AMI meters may be helpful to some customers. But, he argued that there was not widespread customer support and that this benefit does not justify the installation of AMI meters. Witness Twomey admitted that no surveying was conducted to determine whether customers wanted the additional functionalities of AMI meters, but noted that it was not typical to conduct such surveys for pro forma projects and he was aware of at least one customer complaining of timely leak notification.

OPC witness Smith further argued against the project stating that it is not a requirement to satisfy a governmental regulation or standard nor necessary for the safe and/or reliable provision of water service in Florida. Instead, he asserted that the installation of AMI water meters is a decision made at the discretion of Sunshine management and noted that, in a response to discovery, that the project itself is a low priority to Sunshine.

During cross examination, witness Twomey stated that the decision to upgrade the Utility's water meters to use AMI technology was evaluated by Sunshine's parent company with input from Sunshine, as it sought to standardize technology across its affiliates. Witness Twomey also stated that three recent Commission decisions allowing AMI are supportive of the need for the project. Witness Twomey admitted he was not familiar with the circumstances necessitating AMI in these prior decisions, with one being based on customer complaints associated with billing, and the other two being deployments of less than 300 meters combined. OPC witness Smith argued that AMR is a more appropriate technology, since it provides similar cost savings with lower capital cost. Witness Smith agreed that AMI meters can produce cost savings and do have benefits, but argued that Sunshine has not justified them in this case regarding the requested rate base in excess of \$20 million with no offsetting benefits, causing a mismatch that is inconsistent with prior decisions. Witness Twomey agreed that AMR does require less capital but argues that AMR meters still require employing meter readers and vehicles to gather data monthly while not providing the same updates and alerts to customers as AMI does.

Sunshine also asserted that the existing meters are in need of replacement, with witness Twomey testifying that the existing meters are on average 90 percent depreciated, and meter failure is a significant concern to the Utility. Witness Twomey testified if the meters were not replaced, the meters may fail and create risks of customer service issues and meter reading problems. During cross examination, witness Twomey admitted that the current meters are capable of providing safe and reliable service, but argued that the older meters tend to run slow when tested to comply with our rules for meter accuracy. OPC witness Smith argued that this is not consistent with the Utility's response to discovery that labels the project as a low priority within the Utility itself. In response, witness Twomey refuted the low priority label as a holdover from the project's study phase that ended in 2024. He further asserted that the document was not

updated between years and states that the project has a higher internal priority to Sunshine now. Witness Twomey stated that Sunshine had been led to believe that we want the Utility to be proactive in replacing failing infrastructure, to the point of having faced penalties for not doing so.

Regarding potential operational savings, Sunshine has stated that the use of AMI technology brings multiple benefits to both the Utility and its customers, including those evaluated in the Utility's initial analysis of the costs and benefits of AMI meters, the 2021 AMI Business Case. These benefits include the elimination of manual meter reading, reduced in billing exceptions and manual bill processing, reduced field trips to connect and disconnect customers, and faster response to system leakages and water theft due to the near real-time updates AMI provides. Overall, Sunshine estimates the savings associated with meter reading alone are approximately \$293,883 annually, including \$280,662 in O&M and \$13,221 in payroll taxes. OPC witness Smith disagreed by arguing that such benefits are speculative and are not adequately demonstrated by the Utility. We agree with Sunshine that there are operation and maintenance (O&M) savings associated with this project and are a supporting factor for us to approve this project. However, the O&M and payroll tax savings for this project are addressed in Issues 26 and 29.

Based on the information provided, we find that a need for the project has been demonstrated by Sunshine based on the following:

1. The 37,000 water meters included within the project scope are at the end of their useful lives.
2. The replacement of the meters before failure will avoid meter reading errors and customer service issues.
3. The near real-time usage data AMI technology allows customers and the Utility to better address system leaks and improve conservation through the Utility's customer portal.
4. The reduction of meter reading expenses produces operational savings.

Project Timeline

Section 367.081(2)(a)2, F.S., provides that we, in fixing rates, shall consider facilities to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year, unless a longer period of approved by us, to be used and useful if such property is needed to serve current customers. Witness Twomey testified that the project will be completed by October 2025, which is within the 24-month requirement. As of February 12, 2025, there were 7,000 meters installed with 20-meter installers working daily to meet the 4,000 meter per-month schedule. All permits have been acquired, and the installation of the last antennas will begin in Lake County on March 10, 2025.

OPC witness Smith argued that the project will not be completed on time, since the expected completion date has changed multiple times since the project's inception and because of the Utility's inexperience with the construction of AMI networks. Sunshine witness Twomey

refuted this argument and maintains a high degree of confidence that the project is to be completed on schedule in October of 2025, arguing that the additional Senior Project Manager and Project Manager added to the lead project delivery team will ensure greater oversight of the pro forma projects. Witness Twomey further stated that, should the need arise, Sunshine will engage an additional meter installation company previously utilized by its sister company, Ni Florida, to install AMI meters in order to ensure all work is completed before the statutory deadline. Based on the information provided above, we find that the installations of the AMI meters and construction of the AMI network will be completed before the end of the 24-month period.

Project Cost

In its initial filing, Sunshine requested \$20,071,423 for the project, including estimated project costs of \$11,743,036 for infrastructure, \$5,779,633 for construction, \$1,134,538 for engineering, \$214,558 in capitalized time, and \$1,199,658 for interest during construction. Sunshine filed an updated request for \$20,615,599. This increase is associated with the inclusion of Lead and Copper Assessments during the meter replacements, which includes a construction and engineering cost of \$508,000, plus \$5,842 in capitalized time, and \$32,664 for interest during construction.

For the activities required to complete the project, contracts were awarded to three companies for supplying the new AMI water meters, the installation of the AMI meters, and the installation of the poles to construct the AMI network. A formal bidding process and selection was performed for the AMI meter vendor and the technology. However, this process was led by Sunshine's parent company at the time, CII. CII opted to evaluate the new technology and its supplier in an effort to standardize the technology across its affiliates and reduce the total number of vendors. CII evaluated the vendors based on the ability to provide sufficient meter units, if the technology met corporate requirements, the estimated service life of the units, unit cost, financial stability, and the vendor's ability to support their meter solution. After evaluation of each vendor, Neptune Technologies Group was selected as the national meter vendor for Sunshine and its sister companies. Neptune was the second lowest bidder for the project. However, after CII's point based evaluation, Neptune was found to be the best at satisfying the requirements set by the parent company for a national vendor. The bids provided were based on a five-year estimate and that Neptune's bid provides a lower annual support cost than the lowest bidder, Badger Meter Inc., making Neptune the less costly solution over time. A purchasing agreement was negotiated by CII after the selection for discounts of 15% for Neptune Meter Interface Units and Endpoints and a discount of 10% for Neptune reading equipment and software.

A formal bidding process was forgone in selecting a contractor for the installation of the new meters. Witness Twomey testified that this was done by Sunshine's current parent company, Nexus Water Group, which selected VEPO Metering South, LLC, as the preferred meter installation service and had already negotiated preferred pricing for their national meter installation services.

Sunshine underwent a formal bidding process for the installation of the poles necessary for the construction of the AMI network and received bid proposals from four companies. Sunshine awarded the contract for the pole installations to PlusComm Inc. PlusComm did not offer the lowest bid for the project but independently agreed to acquire the necessary electrical permits and offered to assist in acquisition of necessary building permits, which was not reflected in the bid comparisons.

OPC witness Smith disagreed with the total cost of the project and argued that the Utility did not adequately demonstrate a cost comparison between AMI and AMR. Witness Twomey refuted this argument and stated that the Utility performed a cost-effectiveness analysis based on a 20-year period that showed the breakeven value between installations of communication towers and using cellular service for AMI was approximately 278 meters per pole, and designed the system to install poles when in excess of this ratio. For the selection of AMI versus AMR, Witness Twomey stated that AMR meters were assessed but eliminated as an option. Witness Twomey agreed that AMI meters require a higher capital cost, including the communication towers necessary for its use, but AMR meters would require the same meter readers and resources as the Utility uses now and represent an additional cost to the Utility's eventual AMI deployment.

Sunshine provided contracts, purchase orders, and invoices for \$16,204,334 including \$15,518,923 in construction costs and \$685,411 in engineering costs. In addition \$186,350 in capitalized time and \$1,041,939 in interest during construction was added for a total project cost of \$17,432,623.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that \$17,432,623 is reasonable for the project. Sunshine recorded a cost of \$20,071,423 in its MFRs; therefore, we approve an adjustment to decrease the cost of ST-20 by \$2,638,800 (\$20,071,423 - \$17,432,623). O&M impacts are discussed further in this Order (Issue 26).

b) Conclusion

We find that there is a need for meter replacement due to the age of the current meters and are persuaded by the additional functionality of AMI meters to address system leaks. Based on the documentation provided by the Utility we approve an adjustment to decrease the cost of this project by \$2,638,800. The resultant operational savings are discussed in detail subsequently in this Order (Issue 26).

B. Pro Forma Plant (Issue 4)

a) Analysis

Section 367.081(2)(a)(2), F.S., provides that we, in fixing rates, shall consider facilities to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year used to set final rates, unless a longer period is approved by us, to be used

and useful (U&U) if such property is needed to serve current customers. In this proceeding, Sunshine requested cost recovery for 24 pro forma projects. OPC argued that out of these 24 projects, the AMI Meter Installation and PFAS Remediation projects should be excluded. In its brief, Sunshine rebutted OPC's arguments to exclude these two specific projects and also argued that adjustments should be made for the project expenditures that witness Twomey updated in his rebuttal testimony. Each project is discussed in detail below and the approved adjustments are summarized in Table 2.

Table 2
Commission Approved Pro Forma Plant Additions

Project	Description	MFR	Approved	Adjustment
ST-3	Tierra Verde – 13th Bridge FM Replacement	\$514,923	\$648,198	\$133,275
ST-4	Tierra Verde – Madonna Bridge Line Relocation	\$503,709	\$500,233	(\$3,476)
ST-5	Cypress Lakes – VT SCADA 16 RTU Installations	\$262,681	\$256,632	(\$6,049)
ST-6	Eagle Ridge Headworks Improvements	\$1,006,114	\$1,020,618	\$14,504
ST-7	Cross Creek – Compliance Improvements	\$165,114	\$157,445	(\$7,669)
ST-8	Mid-County - Riviera Estates LS, FM and GM Crossing Removal	\$2,138,069	\$2,130,672	(\$7,397)
ST-9	Mid-County – Wilshire Manhole Replacement	\$320,903	\$315,101	(\$5,802)
ST-10	LUSI – Construction 2nd Lower Floridan Well	\$2,151,519	\$1,958,967	(\$192,551)
ST-11	LUSI CFX US 27 Sewer Relocates	\$4,474,320	\$4,612,569	\$138,249
ST-12	LUSI CFX US 27 Water Relocates	\$3,369,201	\$2,770,605	(\$598,596)
ST-13	LUSI – CR 561 WTP Improvements	\$1,882,650	\$2,534,217	\$651,567
ST-14	UIF – Weathersfield WTP Generator Replacement	\$1,285,148	\$1,330,913	\$45,765
ST-15	UIF – Weathersfield Hydro Tank Replacement	\$102,201	\$102,201	\$0
ST-16	Golden Hills WTP Generator Replacement	\$740,055	\$1,233,180	\$493,125
ST-17	Sanlando – F5 FM	\$3,811,775	\$5,006,397	\$1,194,622
ST-18	Sanlando Wekiva EQ Aeration Improvements	\$139,854	\$280,367	\$140,513
ST-19	Pennbrooke – Water Quality Improvements	\$9,488,944	\$10,176,622	\$687,678
ST-20	AMI Meter Installation Project ²⁰	\$20,071,423	\$17,432,623	(\$2,638,800)
ST-21	Vactor Truck Replacement	\$573,587	\$573,587	\$0
ST-22	Sandalhaven Force Main Relocation	\$368,081	\$316,027	(\$52,054)
ST-23	Buena Vista Lane Water Main Relocation	\$431,956	\$588,851	\$156,895
ST-24	OW Remediation PFAS BV Well 3	\$1,837,292	\$1,837,292	\$0
ST-25	Curlew Creek Lift Station Gravity Main Rehabilitation	\$645,480	\$701,088	\$55,608
ST-26	UIF Jansen Water Main Relocation	\$215,160	\$305,129	\$89,969
	Total	\$56,500,161	\$56,789,535	\$289,374

With the exception of ST-20, the AMI project, and ST-24, the per- and poly-fluoroalkyl substances (PFAS) remediation project, OPC's witness Smith did not raise objections to any of the pro forma projects. The adjustments contained in Table 2 reflect the Utility's initial request in its MFRs. In his rebuttal testimony, witness Twomey updated the Utility's request from a total of \$56,500,161 to \$61,018,405, an increase of \$4,518,247, with additional requested activities and supporting documentation.²¹ The approved values summarized in Table 2 incorporated the

²⁰ST-20 is addressed in our analysis of Advanced Meter Infrastructure (Issue 4A).

²¹We note that Sunshine's brief indicated that the Utility subsequently updated its total pro forma request to \$61,856,225. However, we utilized the total amount, as stated, of \$61,018,405 based on the rebuttal testimony of witness Twomey.

additional activities and supporting documentation for the pro forma projects, resulting in a net increase from the initial MFRs of \$289,374, but a net decrease of (\$4,228,870) from the Utility's updated request.

Common Elements

Pro Forma Project Timelines

Pro forma projects must be completed within 24 months of the end of the historic test year, or by December 31, 2025, in this case, unless a longer period is approved by us pursuant to Section 367.081(2)(a)(2), F.S. Sunshine asserted that all the pro forma projects will be completed no later than December 31, 2025, and has made no requests for an extension of the 24 month requirement. With the exception of ST-20, OPC's witness Smith did not raise objections to any of the pro forma projects based upon the estimated completion date. We have reviewed the record and find that all of Sunshine's pro forma projects discussed in this issue can reasonably be completed within the required period.

Capitalized Time and Interest During Construction

Based on the combined construction and engineering costs, Sunshine assumes an additional 6.43 percent for interest during construction and 1.15 percent for capitalized time. The only exception to this is ST-21: Vactor Truck Replacement, which included only a replacement vehicle. For almost all projects, the Utility selected Kimley-Horn & Associates (Kimley-Horn) as the primary engineering contractor. We have previously approved of Sunshine's use of Kimley-Horn as a sole source for engineering services due to its familiarity with the Utility's facilities and procedures.²²

Review of the Pro Forma Projects

ST-03: Tierra Verde – 13th Bridge FM Replacement

Sunshine requested cost recovery for the replacement of the sewer force main attached to the 13th Street Bridge in Tierra Verde. This project is required to be completed as part of a Pinellas County project to replace the 13th Street Bridge, which serves as the only access to the Paradise Key community. As the existing bridge includes an aerial crossing of the force main along its length, this crossing must be replaced before Pinellas County begins construction of the new bridge. For this project, Sunshine will install an underwater crossing as Pinellas County has denied the construction of another aerial crossing. The project will include the removal of the existing aerial crossing attached to the bridge, the installation of the new underwater crossing, as well as the replacement of a damaged manhole and its associated piping which was found to be damaged following Hurricane Milton. As part of this project, Sunshine has opted to replace the existing 6-inch diameter piping with 8-inch diameter High Density Polyethylene (HDPE) piping as it provides a similar inside diameter, a higher working pressure rating, and requires less maintenance over time. The project had an initial estimated completion date of September 2024, but this was revised to March 2025, due to delays in approval of a DEP permit.

²²See Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. cf Florida.*

In its initial filing, Sunshine requested \$514,923 for the project, including estimated project costs of \$415,783 for construction, \$55,710 for engineering, \$5,504 in capitalized time, \$30,777 for interest during construction, and \$7,148 in contingency. Sunshine filed an updated request for \$701,062 based on the delay of the project and the inclusion of additional costs associated with the manhole replacement.

Sunshine underwent a formal bidding process and received bid proposals from two companies. Sunshine awarded the contract to Rowland, Inc. since it was the lowest bid. Rowland, Inc. was also contracted for the replacement of the damaged manhole, which was conducted on an emergency basis.

Sunshine provided contracts, task orders, and invoices for construction and engineering costs of \$415,783 and \$55,710 for the initial relocation and \$116,649 and \$14,385 for the manhole replacement, respectively. Including an additional \$6,929 in capitalized time and \$38,742 in interest during construction, the total project costs are \$648,198.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the project is a requirement of a governmental authority and that the inclusion of the manhole repair is reasonable to address the emergency failure due to storm damage and to prevent further environmental contamination of the sewer system. We also find that \$648,198 is reasonable for the project. Sunshine recorded a cost of \$514,923 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-03 by \$133,275. (\$648,198 - \$514,923)

ST-04: Tierra Verde – Madonna Bridge Line Relocation

Sunshine requested cost recovery for the replacement of the underwater sewer force main running under the Madonna Boulevard Bridge in Tierra Verde. This project is required to be completed as part of a Pinellas County project to replace the Madonna Boulevard Bridge which serves as the only access to the Pine Key community. As the existing force main would impact service to the community, the crossing must be replaced before Pinellas County begins construction of the new bridge. The project will include the grouting of the existing underwater force main and the installation of the new underwater force main under Pine Key Cutoff. As part of this, Sunshine has opted to replace the existing 8-inch diameter piping with 10-inch diameter HDPE piping as it provides a similar inside diameter, a higher working pressure rating, and requires less maintenance over time. The project had an initial completion date of November 2024, but this was revised to March 2025 due to delays in approval of a DEP permit.

In its initial filing, Sunshine requested \$503,709 for the project, including estimated project costs of \$401,601 for construction, \$63,386 for engineering, \$5,385 in capitalized time, \$30,106 for interest during construction, and \$3,232 in contingency.

Sunshine underwent a formal bidding process and only two companies responded and Sunshine selected Left Coast Utilities as the contractor for the project due to their lower bid price. Sunshine provided contracts, task orders, and invoices for \$401,601 for construction and \$63,386 for engineering. Including an additional \$5,347 in capitalized time and \$29,899 for interest during construction, the total project costs are \$500,233.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the project is a requirement of a governmental authority and that the \$500,233 is reasonable for the project. Sunshine recorded a cost of \$503,709 in its MFRs; therefore, we approve an adjustment to decrease the cost of ST-04 by \$3,476 (\$500,233 - \$503,709).

ST-05: Cypress Lakes – VT SCADA 16 RTU Installations

Sunshine requested cost recovery for the installation of 16 Remote Terminal Units (RTUs) using VT Supervisory Control and Data Acquisition (SCADA) technology within the Orangewood, Lake Tarpon, Cypress Lakes, Labrador, and Lake Placid systems. The existing SCADA systems are now obsolete, as the 3G network they require to function was decommissioned by the carrier in early 2022. The vendor of the existing monitoring systems, C&A, has offered no solution and Sunshine has utilized additional onsite physical monitoring to resolve communication problems since the decommissioning. The new RTUs will align with the Utility's efforts to standardize monitoring of its systems and cybersecurity standards across Florida. The project was completed in February 2024.

In its initial filing, Sunshine requested \$262,681 for the project, including \$238,550 in construction and engineering costs, \$2,808 in capitalized time, \$15,700 for interest during construction, and \$5,623 in contingency.

Sunshine opted to forgo a formal bidding process and awarded the project to Barney's Pumps, Inc. Sunshine stated this decision was made due to Barney's Pumps' knowledge and ability to integrate the effected systems to align with Sunshine's statewide standardization efforts.

In response to discovery, the Utility stated the project was completed for a cost of \$244,173, but the invoices submitted by the Utility support only a cost of \$238,550, including an additional \$2,743 in capitalized time and \$15,339 for interest during construction, the total project costs are \$256,632.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the \$256,632 is reasonable for the project as the prior SCADA system was obsolete. Sunshine recorded a cost of \$262,681 for ST-05 in its MFRs; therefore, we approve an adjustment to decrease the cost of ST-05 by \$6,049 (\$262,681 - \$256,632).

ST-06: Eagle Ridge Headworks Improvements

Sunshine requested cost recovery for rectifying issues at the Eagle Ridge WWTP in order to maintain continuous operation. The most critical of which, is the replacement of a mechanical screen that has corroded into failure due to a high concentration of hydrogen sulfide in the water. The failure of this screen has allowed inorganic matter to build up within the facility's surge tank which negatively impacts the wastewater treatment process and represents a risk to the facility's continued operation and failure to comply with DEP's wastewater treatment standards. Additionally, Sunshine has opted to replace the existing odor control system as it was originally installed in 2006 and has reached the end of its useful life. The project includes the bypass and

maintenance of the facility's existing surge tank, the replacement of the failed mechanical screen and installation of a temporary bar screen, replacement of the existing odor control system as well as replacement of influent and effluent flow meters, associated piping, and electrical improvements to ensure the new equipment is supported by the existing SCADA system. The project is expected to be completed by June 2025.

In its initial filing, Sunshine requested \$1,006,114, which included estimated project costs of \$929,849 for construction and engineering, \$10,755 in capitalized time, \$60,135 for interest during construction, and \$5,375 in contingency. Sunshine filed an updated request for \$1,020,618 due to the unexpected buildup of inorganic matter in the WWTP's surge tank.

Sunshine opted to forgo a formal bidding process and awarded the contract directly to Water Equipment Technologies of Southwest Florida, LLC in order to avoid a delay that could cause further damage or system failure and the facility falling out of compliance with DEP. In addition, the provider has existing knowledge of the electrical and mechanical workings of the Eagle Ridge facility.

Sunshine provided contracts, task orders, and invoices for \$827,996 for construction and \$120,710 for engineering. Including an additional \$10,910 in capitalized time and \$61,002 in interest during construction, the total project costs are \$1,020,618.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the \$1,020,618 is reasonable for the project as delaying the replacement of the failed mechanical screen and the odor control system are a risk to the WWTP's ability to operate within DEP requirements. Sunshine recorded a cost of \$1,006,114 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-06 by \$14,504 (\$1,020,618 - \$1,006,114).

ST-07: Cross Creek – Compliance Improvements

Sunshine requested cost recovery for a number of improvements to the Cross Creek WWTP effluent discharge system. DEP conducted a routine compliance inspection in December 2022 and served a warning letter to the facility, dated February 23, 2023, that noted multiple areas of improvement. The deficiencies found by DEP must be resolved for the Cross Creek facility to return to compliance. The project includes (1) the installation of an electrically actuated butterfly valve, (2) upgrades to the electrical and control systems, (3) replacement of an aluminum flap gate with inline check valve, (4) alterations to underground piping, (5) a new effluent flow meter, and (6) integration of level sensors into the ground storage tank. The project was completed February 2024.

In its initial filing, Sunshine requested \$165,114 for the project, including \$146,352 for construction, \$1,765 in capitalized time, \$9,869 in interest during construction, and \$7,129 in contingency.

Sunshine opted to forgo a formal bidding process in order to expeditiously address DEP's concerns. As such, Water Equipment Technologies of Southwest Florida, LLC was sole sourced for the project due to Sunshine having previously utilized its services and its knowledge of the Cross Creek facility.

In response to discovery, the Utility stated the project was completed for a cost of \$159,747, but the contracts and task orders submitted by the Utility support only a cost of \$97,832 for construction and \$48,520 for engineering. Including an additional \$1,683 in capitalized time and \$9,410 in interest during construction, the total project costs are \$157,445.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that \$157,445 is reasonable for the project as the identified improvements are to return the Cross Creek facility to DEP compliance. Sunshine recorded a cost of \$165,114 in its MFRs; therefore, an adjustment shall be made to decrease the cost of ST-07 by \$7,669 (\$165,114 - \$157,445).

ST-08: Mid-County – Riviera Estates LS, FM, and GM Crossing Removal

Sunshine requested cost recovery for the relocation of an existing sewer force main in the Mid-County service area. This project is required to be completed as part of a Florida Department of Transportation (FDOT) roadway improvement project in order to not delay the project and maintain sewer service during construction. Sunshine has divided the project into two separate phases. Phase one involves the installation of the replacement 8-inch gravity sewer, seven manholes, and associated restoration. The second phase involves the rehabilitation of Lift Station 4 which includes replacing pumps, valves, the valve vault, the valve vault top slab, wet well top slab, wet well piping, and wet well lining. Its initial completion date was November 2024, but due to delays caused by Hurricane Milton the Utility now estimates completion by April 2025.

In its initial filing, Sunshine requested \$2,138,069, including \$1,980,546 for construction, \$22,855 in capitalized time, \$127,791 for interest during construction, and \$6,876 in contingency. Sunshine filed an updated request for \$2,130,671 to correct the capitalized time and interest during construction values.

Sunshine awarded the contract for phase one to Left Coast Utilities without bidding in order to avoid delaying the roadway project and the fines associated with doing so. Sunshine underwent a formal bidding process for the second phase and received bid proposals from two of the three companies contacted. The contract for phase two was awarded to Rowland Inc., the lowest bidder.

Sunshine provided contracts, task orders, and invoices of \$1,768,489 for construction and \$212,058 for engineering. Including an additional \$22,776 in capitalized time and \$127,349 in interest during construction, the total project costs are \$2,130,672.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we recognize that the project is a requirement of a governmental authority and find that \$2,130,672 is reasonable for the project. Sunshine recorded a cost of \$2,138,069 in its MFRs;

therefore, we approve an adjustment to decrease the cost of ST-08 by \$7,397 (\$2,138,069 - \$2,130,672).

ST-09: Mid-County – Wilshire Manhole Replacement

Sunshine requested cost recovery for the rehabilitation of two existing manholes in the Mid-County service area that run parallel to the Curlew Creek. The creek bank has severely eroded and exposed the cone and part of the riser of the brick manholes that were once underground. This exposure leaves the Mid-County sewer system vulnerable to environmental contamination and/or the manholes collapsing into the creek. In response to this, Sunshine will contract for the replacement of the ring and cover, along with all necessary restoration, and the installation of sheet piles to prevent further damage to the surrounding infrastructure from occurring for both manholes. The project was completed as of March 2024.

In its initial filing, Sunshine requested \$320,903, including \$292,900 for construction, \$3,430 in capitalized time, \$19,180 in interest during construction, and \$5,393 in contingency.

Sunshine opted to forgo a formal bidding process due to the urgent nature of the project, as the manholes were at risk of collapsing into the creek. Left Coast Utilities Corporation was sole sourced for the project as it was a previously utilized contractor with the capacity and knowledge to complete the project.

In response to discovery, the Utility stated the project was completed for a cost of \$304,103, but the contracts and task orders submitted by the Utility's support only a cost of \$234,400 for construction and \$58,500 for engineering. Including an additional \$3,368 in capitalized time and \$18,833 in interest during construction, the total project costs are \$315,101.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that \$315,101 is reasonable for the project to prevent further environmental contamination and exposure of the Mid-County sewer system. Sunshine recorded a cost of \$320,903 in its MFRs; therefore, we approve an adjustment to decrease the cost of ST-09 by \$5,802 (\$320,903 - \$315,101).

ST-10: LUSI – Construction of 2nd Lower Floridan Well

Sunshine requested cost recovery for the design and construction of a Lower Floridan Aquifer well in the LUSI North system adjacent to the Oranges subdivision. This new well will provide a higher capacity, mitigate minimum flow and levels of nearby lakes by drawing water from the Lower Floridan Aquifer. In addition, it will provide improved water quality as the nearby existing wells have a high total trihalomethanes formation potential. The project will include the design, permitting, construction, and water testing of the Lower Floridan Aquifer well. The initial project completion date was August 2024 but this was revised to April 2025 due to delays in the drilling process and Hurricanes Helene and Milton.

In its initial filing, Sunshine requested \$2,151,518 for the project, including \$1,999,924 for construction, \$22,999 in capitalized time, \$128,595 in interest during construction, and \$0 in contingency. Sunshine filed an updated request for \$1,982,162. This change is due to a

combination of increased costs, some of which are offset by a grant from the St. John's Water Management District as the well is considered an alternative water source.

Sunshine underwent a formal bidding process and received bid proposals from three companies. Sunshine awarded the contract to the lowest bidder, Parson Drilling.

Sunshine provided contracts, task orders, and invoices of \$2,198,150 for construction and \$55,790 for engineering. Including the awarded grant amount of \$433,000, an additional \$20,941 in capitalized time and \$117,086 in interest during construction, the total project costs are \$1,958,967.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that \$1,958,967 is reasonable for the project as the new well will ensure the Utility can continue to meet the demands of the service area's customers and provide improved water quality. Sunshine recorded a cost of \$2,151,518 in its MFRs; therefore, we approve an adjustment to decrease the cost of ST-10 by \$192,551 (\$2,151,518 – \$1,958,967).

ST-11: LUSI CFX US 27 Sewer Relocates

Sunshine has requested cost recovery for the relocation of an existing 12-inch diameter sewer force main in the LUSI South service area. This project is required to be completed as part of a Central Florida Expressway Authority (CFX) project to construct a toll road that will cross US 27. As the existing force main intersects the boundary of the State Road's construction, the relocation must be completed before CFX begins construction. This project will include the decommissioning of approximately 6,000 linear feet of existing 12-inch diameter pipeline through grout filling and abandoning in place and the installation of approximately 7,500 linear feet of piping to maintain service to the area. The project is expected to be completed by December 2025.

In its initial filing, Sunshine requested \$4,474,320 for the project, including estimated project costs of \$4,159,063 for construction, \$47,829 in capitalized time, \$267,428 for interest during construction, and \$0 in contingency. Sunshine filed an updated request for \$4,886,617 which is based on the contracted amount rather than the estimate provided by the engineering contractor.

Sunshine underwent a formal bidding process for a combined contract for projects ST-11 and ST-12 and received bid proposals from three companies. Sunshine awarded the contract for both relocation projects to Tri-Sure Corporation as the lowest bidder and because this company has a history of completing similar projects with Sunshine.

Sunshine provided contracts, task orders, and invoices of \$4,202,806 for construction and \$84,765 for engineering. Including an additional \$49,307 in capitalized time and \$275,691 in interest during construction, the total project costs are \$4,612,569.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the project is a requirement of a governmental authority and \$4,612,569 is reasonable for the project. Sunshine recorded a cost of \$4,474,320 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-11 by \$138,249. (\$4,612,569 - \$4,474,320)

ST-12: LUSI CFX US 27 Water Relocates

Sunshine has requested cost recovery for the relocation of an existing 16-inch diameter water force main in the LUSI South service area. This project is required to be completed as part of a CFX project to construct a toll road that will cross US 27. As the existing force main intersects the boundary of the State Road's construction, the relocation must be completed before CFX begins construction. This project will include the decommissioning and abandoning in place of approximately 4,800 linear feet of existing pipeline through grout filling, and the installation of approximately 5,000 linear feet of piping to maintain service to the area. The project is expected to be completed by December 2025

In its initial filing, Sunshine requested \$3,369,201 for the project, including estimated project costs of \$3,131,810 for construction, \$36,015 in capitalized time, \$201,375 for interest during construction, and \$0 in contingency. Sunshine filed a revised request for \$3,044,653 which is based on the contracted amount rather than the estimate provided by the engineering contractor. As discussed above, Tri-Sure Corporation was chosen for ST-11 and ST-12 due to providing the lowest bid as well as its history of completing similar projects with Sunshine.

Sunshine provided contracts, task orders, and invoices of \$2,490,625 for construction and \$84,765 for engineering. Including an additional \$29,617 in capitalized time and \$165,598 in interest during construction, the total project costs are \$2,770,605.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the project is a requirement of a governmental authority and \$2,770,605 is reasonable for the project. Sunshine recorded a cost of \$3,369,201 in its MFRs; therefore, we approve an adjustment to decrease the cost of ST-12 by \$598,596. (\$3,369,201 - \$2,770,605)

ST-13: CR 561 WTP Improvements

Sunshine requested cost recovery for expansion of the CR 561 WTP in order to proactively increase the facility's capacity to service new customers in the LUSI North service area. Kimley-Horn was contracted by Sunshine to prepare a Capacity Analysis Report (CAR) pursuant to Rule 62-555.348(3) F.A.C., requiring a CAR be submitted within six months after the month in which the total maximum-day quantity of finished water produced by the treatment plant(s) first exceeds 75 percent of the total permitted maximum-day operating capacity of the plant. The CAR, provided by Kimley-Horn in February 2024, evaluated the LUSI service area and recommended improvements to expand the capacity of the area's facilities to meet future demands within the service area. This project includes the installation of an additional 750,000-gallon ground storage tank, high service pumping, and electrical and piping improvements necessary for these additions. The project had an initial estimated completion date of December 2025; however, this was revised to September 2025, by the selected contractor.

In its initial filing, Sunshine requested \$1,882,650 for the project, including estimated project costs of \$1,750,000 for construction, \$20,125 in capitalized time, \$112,525 for interest during construction, and \$0 in contingency. Sunshine filed an updated request for \$2,534,217 which is now based on the contracted amount instead of the estimate provided by the engineering contractor.

Sunshine underwent a formal bidding process and received bid proposals from three companies. Sunshine awarded the contract to Florida Environmental Construction, Inc. because it was the lowest bidder and for its successful work on projects of a similar nature.

Sunshine provided contracts, task orders, and invoices of \$2,196,808 for construction and \$158,850 for engineering. Including an additional \$27,090 in capitalized time and \$151,469 in interest during construction, the project's total costs are \$2,534,217.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the \$2,534,217 is reasonable for the project as the new ground storage tank and high service pump are a prudent addition to ensure the WTP is capable of providing service to the area's growing population. Sunshine recorded a cost of \$1,882,650 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-13 by \$651,567 (\$2,534,217 - \$1,882,650).

ST-14: UIF – Weathersfield WTP Generator Replacement

Sunshine requested cost recovery for the replacement of the emergency generator at the Weathersfield WTP that has reached the end of its service life. The Weathersfield WTP serves approximately 1,200 connections that would lose access to potable water in the event of a power outage. The existing emergency generator was installed in 1998 and further repairs exceed the unit's net book value due to the increasing lack of available parts and risk further damaging the unit. Sunshine has opted to retire the 26-year-old emergency generator and install a new generator with specifications consistent with other sites to allow for operational simplification and resiliency during severe weather events. The project consists of the installation of a new emergency generator, an upgrade to an underground 240V electrical service, as well as a new service disconnect, automatic transfer switch, controls, and instrumentation to implement the new generator to maintain backup generation as required by DEP. The estimated completion date of the project is December 2025.

In its initial filing, Sunshine requested \$1,285,148 for the project, including \$1,249,657 for construction, \$5,385 in capitalized time, and \$30,106 for interest during construction, and \$0 in contingency. Sunshine filed a revised request for \$1,492,404, an increase of \$207,256, which is based on the contracted amount rather than the estimate provided by the engineering contractor.

Sunshine originally underwent a formal bidding process for the purchase of a generator for the Weathersfield WTP along with two other generators as a group in 2022. However, Sunshine opted to rebid the purchase of the Weathersfield replacement generator separately in 2024 and selected Florida Environmental Construction Inc. as the general contractor and vendor of the replacement emergency generator. Sunshine underwent a formal bidding process for the installation of the replacement generator and received three bid proposals. Sunshine awarded the contract to Chinchor Electric Inc., the lowest bidder.

Sunshine provided contracts, task orders, and invoices of \$1,184,888 for construction and \$52,250 for engineering. Including an additional \$14,227 in capitalized time and \$79,548 in interest during construction, the total project costs are \$1,330,913.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that \$1,330,913 is reasonable for the project as the replacement of the 26-year-old emergency generator ensures water service is maintained in the event of a power outage at the WTP in compliance with DEP requirements. Sunshine recorded a cost of \$1,285,148 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-14 by \$45,765 (\$1,330,913 - \$1,285,148).

ST-15: UIF – Weathersfield Hydro Tank Replacement

Sunshine requested cost recovery for the replacement of the 10,000-gallon hydropneumatic tank located at the Weathersfield WTP. During the most recent DEP inspection of the Weathersfield WTP, the tank was found to have failed the minimum steel shell thickness test and is considered unsafe to operate. Sunshine opted to retire the existing 17-year-old hydropneumatic tank and replace it with a new 10,000-gallon tank along with installation of all necessary piping and valves for the new tank in order to comply with DEP. The project was completed in April 2024.

In its initial filing, Sunshine requested \$102,201 for the project, including \$95,000 for construction, \$1,093 in capitalized time, and \$6,108 for interest during construction, and \$0 in contingency.

Sunshine opted to forgo a formal bidding process due to the limited scope of the project and selected ECO-2000, Inc. as a contractor it believed could complete the project in a timely manner.

In response to discovery, the Utility stated the project was completed for a cost of \$96,173 but our review of the invoices submitted by the Utility support only a cost of \$95,000 in construction costs. Including an additional \$1,093 in capitalized time and \$6,108 in interest during construction, the total project costs are \$102,201.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the \$102,201 is reasonable for the project as the replacement of the existing hydro pneumatic tank is necessary to return the Weathersfield facility to DEP compliance. Sunshine recorded a cost of \$102,201 for ST-15 in its MFRs; we find that no adjustment shall be made to ST-15.

ST-16: Golden Hills WTP Generator Replacement

Sunshine has requested cost recovery for the replacement of the emergency generator at the Golden Hills WTP that has reached the end of its service life. The Golden Hills WTP serves approximately 531 connections that would lose access to potable water in the event of a power outage. The existing propane gas emergency generator was originally installed in 1992 and further repairs exceed the unit's net book value due to increasing lack of available parts and risk of further damaging the unit. Sunshine has opted to retire the 32-year-old emergency generator and install a new unit with specifications consistent with other sites to allow for operational simplification and resiliency during severe weather events. The project consists of the installation of a new generator, remote terminal units with supervisorial control and data acquisition technology, as well as a new service disconnect, automatic transfer switch, controls,

and instrumentation to implement the new generator to maintain backup generation as required by DEP. The initial estimated completion date for the project was December 2024, but due to a significant lead time for electrical equipment, the project is now anticipated to be completed by December 2025.

In its initial filing, Sunshine requested \$740,055 for the project, including \$585,561 for construction, \$102,350 for infrastructure, \$7,911 in capitalized time, \$44,233 for interest during construction, and \$0 in contingency. Sunshine filed an updated request for \$1,417,160 which is based on the contracted amount rather than the estimate provided by the engineering contractor.

As discussed for ST-14, Sunshine formally bid out all 3 needed generators together in 2022. However, Sunshine opted to rebid the purchase of the Golden Hills replacement generator separately in 2024 and selected Florida Environmental Construction Inc. as the general contractor and vendor of the replacement emergency generator. Florida Environmental then underwent a bidding process for electrical work required for the installation and received bid proposals from two companies. The electrical contract was awarded to Chinchor Electric Inc. after the competitor revised its bid to account for an error, making Chinchor the lowest cost bid.

Sunshine provided contracts, task orders, and invoices of \$1,064,041 for construction and \$82,250 for engineering. Including an additional \$13,182 in capitalized time and \$73,707 in interest during construction, the total project costs are \$1,233,180.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that \$1,233,180 is reasonable for the project as the replacement of the 32-year-old emergency generator ensures water service is maintained in the event of a power outage at the WTP in compliance with DEP requirements. Sunshine recorded a cost of \$740,055 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-16 by \$493,125 (\$1,233,180 - \$740,055).

ST-17: Sanlando – F5 FM

Sunshine requested cost recovery for the replacement of the existing force main that connects the Sanlando F-5 lift station to the Wekiva WWTP with a force main of larger diameter and stronger material. As this force main sees approximately 40 percent of the Wekiva WWTP's annual average daily flow pumped through it, Sunshine considers this pipeline a critical asset in the delivery of service. As part of a larger effort to modernize critical assets, Sunshine has opted to proactively upgrade the F5 force main from a 12-inch diameter PVC pipe to a 16-inch diameter pipe made of a more durable PVC material. The estimated completion date of the project was October 2025.

In its initial filing, Sunshine requested \$3,811,775 for the project, including \$3,543,200 for construction, \$40,747 in capitalized time, \$227,828 for interest during construction, and \$0 in contingency. Sunshine filed an updated request for \$5,006,397 based on increases in material and labor costs since the preliminary 2022 estimate.

Sunshine underwent a formal bidding process and received bid proposals from three companies. Sunshine awarded the contract to Tri-Sure Corporation, the lowest bidder. Sunshine

provided contracts, task orders, and invoices of \$4,496,450 for construction and \$157,200 for engineering. Including \$53,517 in capitalized time and \$299,230 in interest during construction, the total costs for the project are \$5,006,397.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that \$5,006,397 is reasonable for the project as the replacement piping of stronger material and larger diameter ensures the Wekiva WWTP continues providing service to the service area. Sunshine recorded a cost of \$3,811,775 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-17 by \$1,194,622 (\$5,006,397 - \$3,811,775).

ST-18: Sanlando – Wekiva EQ Aeration Improvements

Sunshine requested cost recovery for the installation of a floating mixer in the Wekiva WWTP's equalization tank and the installation of a permanent power source for the equalization tank. The existing aeration mixer was originally intended to be a temporary installation as part of a pilot test of the unit. For testing purposes, Sunshine rented the existing unit and powered it by a portable generator operated during the day when Utility staff was present. However, the unit was considered effective by Sunshine's operators and the Utility opted to purchase and reinstall the aerator permanently. Additionally, Sunshine will construct a permanent power source for the mixer to extend its hours of operation. This project includes the purchase of the floating aeration mixer, the installation of the mixer, and the construction of a permanent power source for the equalization tank. The project had an initial estimated completion date of June 2025; but, this was revised to January 2025 after the electrical contractor was selected to complete the installation of the floating mixer.

In its initial filing, Sunshine requested \$139,854 for the project, including estimated project costs of \$130,000 for construction and engineering, \$1,495 in capitalized time, \$8,359 for interest during construction, and \$0 in contingency. Sunshine filed an updated request for \$280,367 due to now having selected a contractor for the installation of the mixer, additional infrastructure needed for the aerator, and because the initial filing omitted the initial contractor work and the purchase of the floating mixer.

Sunshine opted to forgo a formal bidding process and awarded the contract to Florida Environmental Construction, Inc. for the purchase and installation of the aeration equipment. Sunshine states this was to avoid delay in remedying the lack of aeration in the equalization tank and the Wekiva facility falling out of compliance. Sunshine did undergo a formal bidding process for the installation of the permanent power source and received only one bid proposal out of the three requested. Of the other companies, one declined, as the project would require a bond, and the other did not respond. As the only bid received, BMP Electric Inc. was selected as the project's electric contractor.

Sunshine provided contracts, task orders, and invoices of \$243,913 for construction and \$16,700 for engineering. Including \$2,997 in capitalized time and \$16,757 in interest during construction, the total project costs are \$280,367.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the \$280,367 is reasonable for the project as the permanent installation of

the floating mixer and the addition of a permanent power source for it to function outside of daylight hours will improve the aeration process of the WWTP. Sunshine recorded a cost of \$139,854 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-18 by \$140,513 (\$280,367 - \$139,854).

ST-19: Pennbrooke – Water Quality Improvements

Sunshine requested cost recovery for several improvements to the Pennbrooke WTP to resolve high levels of iron and hardness as well as other regulatory compliance issues. We found the quality of service to be unsatisfactory for Pennbrooke in its last rate case due to several concerns, including excessive levels of iron, other secondary water quality standards, and low water pressure.²³ Kimley-Horn was contracted to evaluate treatment methods able to lower the facility's iron and total hardness levels and evaluated multiple alternative methods. The Technical Memorandum provided by Kimley-Horn in 2021 recommended the ACTINA treatment system as the preferable method due to its lower capital cost and operating costs compared to other treatment methods, plus additional storage and pumping capacity.

As part of this project, Sunshine has opted to also remedy other compliance issues within the Pennbrooke WTP. As such, this project includes the installation of a high service pump station, a generator, two ground storage tanks, and a replacement raw water well. The project had an initial completion date of December 2024, but this was delayed to March 2025 due to a delay in delivery of electrical equipment needed for the pumping equipment.

In its initial filing, Sunshine requested \$9,488,944 for the project, including \$8,820,360 for construction, \$101,434 in capitalized time, \$567,149 for interest during construction, and \$0 in contingency. Sunshine filed an updated request for \$9,966,596 due to a miscalculation in the total provided in the direct testimony being included, a change order being added to address several items needed during construction, and costs associated with the project's delay.

Sunshine underwent a formal bidding process and received two bid proposals. Sunshine awarded the contract to Florida Environmental Construction, Inc., the lowest bidder.

Sunshine provided contracts, task orders, and invoices of \$8,898,059 for construction and \$561,527 for engineering. Including an additional \$108,785 in capitalized time and \$608,251 in interest during construction, the total project costs are \$10,176,622.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the \$10,176,622 is reasonable for the project as the installation of the ACTINA treatment system is the most cost-effective method to address water quality issues. Sunshine recorded a combined cost of \$9,488,944 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-19 by \$687,678 (\$10,176,622 - \$9,488,944).

²³See Order No. PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket no. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. cf Florida.*

ST-21: Vactor Truck Replacement

Sunshine requested cost recovery for the purchase of a 2024 Kenworth tractor chassis and a 2024 Vactor 2100i (2024 Kenworth Vactor truck) to replace the existing 2007 International Vactor truck. The Vactor 2100i is sewer cleaning equipment that is mounted on the tractor chassis. It was determined that it is cost-prohibitive to repair the 2007 International Vactor. In addition, costs are incurred when hiring third-party contractors to complete the maintenance/emergency work that needs to be done when the 2007 truck is inoperable and being repaired. The purchase was completed February 2024.

In its initial filing, Sunshine requested \$573,587 for this purchase. Sunshine underwent a formal bidding process and received bid proposals from two vendors, as the two vendors are the only ones that offer Vactor trucks matching Sunshine's operational requirements. Environmental Products Group, Inc. was selected as the vendor of the new Vactor truck due to a lower selling price for the equipment.

In response to discovery, the Utility stated the purchase was completed for a total cost of \$573,587 for the equipment. Our review of the invoice provided by the Utility supports this cost.

Based on the documentation provided and the testimony of witness Twomey, we find that \$573,587 is reasonable for the project as the replacement of the existing 17-year-old Vactor allows continuous maintenance and cleaning of Utility owned facilities without reliance upon outside contractors. Sunshine recorded a cost of \$573,587 in its MFRs; therefore, we find that no adjustment is necessary for ST-21.

ST-22: Sandalhaven Force Main Relocation

Sunshine requested cost recovery for the installation of a 4-inch sewer force main and the construction of above-grade air release valve (ARV) assemblies in the Sandalhaven service area. The owner of a private parcel in the Sandalhaven service area has requested Sunshine to provide wastewater service. Pursuant to Rule 25-30.230(2), F.A.C, each wastewater utility shall provide the service pipe to the service connection, and may locate the connection at or near the customer's curb or property line. The original plan to connect the customer to the 12-inch force main adjacent to the property was revised by the engineering contractor due to the force main's non-standard depth and instead recommended connecting approximately 830 linear feet away. The existing below-grade ARVs are located near the planned connection tie-in and are often inoperable due to frequent flooding of their enclosures. Sunshine has opted to replace the below-grade ARVs with above-grade ARVs to mitigate further flooding issues and ease future maintenance. This project will include the installation 830 linear feet of 4-inch HDPE piping, connection of the new piping to an existing 12-inch diameter force main, removal of the existing below-grade ARV assemblies, and the construction of the four new above-grade ARV assemblies. The project had an initial completion date of August 2024, but was delayed and completed October 2024.

In its initial filing, Sunshine requested \$368,081 for the project, including \$244,794 for construction, \$42,146 for engineering, \$3,935 in capitalized time, \$22,000 for interest during construction, and \$55,207 in contingency. Sunshine filed an updated request for \$313,496 due to the project being completed without the allocated contingency funds.

Sunshine underwent a formal bidding process for the project but only received a bid proposal from one of the three companies it solicited. As the only bidder, Left Coast Utilities was selected as the general contractor.

Sunshine provided contracts, task orders, and invoices of \$293,760 for construction. Including an additional \$3,378 in capitalized time and \$18,889 in interest during construction, the total project costs are \$316,027.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the \$316,027 is reasonable for the project as the service connection is necessary to provide wastewater service to a Utility customer and replacing the below-grade ARVs with above-grade ARVs improves system operations. Sunshine recorded a cost of \$368,081 in its MFRs; therefore, we approve an adjustment to decrease the cost of ST-22 by \$52,054 (\$368,081 - \$316,027).

ST-23: Buena Vista Lane Water Main Relocation

Sunshine requested cost recovery for the relocation of an existing 6-inch diameter water main and an existing 2-inch water diameter in the Buena Vista service area of Pasco County. The project is required to be completed as part of a Pasco County project to improve drainage infrastructure along Buena Vista Lane. As the existing water mains conflict with the planned improvements, both must be relocated before Pasco County begins construction. This project includes the removal of the existing water mains, installation of 1,550 linear feet of 6-inch diameter water main, installation of 150 linear feet of 2-inch diameter water main, 18 service connections, approximately 15 tie-ins to existing water mains, and installation of new blow-off assembly. The project initially had a completion date of October 2024, but this was delayed to December 2024 due to hurricanes.

In its initial filing, Sunshine requested \$431,956 for the project, including \$401,521 for construction, \$4,617 in capitalized time, \$25,818 for interest during construction, and \$0 in contingency. Sunshine underwent a formal bidding process and received bid proposals from two of the three companies contacted. Sunshine awarded Left Coast Utilities the contract as the lowest bidder. Sunshine filed an updated request for \$591,743 based on the results of its formal bidding process.

Sunshine provided contracts, task orders, and invoices of \$495,840 for construction and \$51,521 for engineering. Including an additional \$6,295 in capitalized time and \$35,195 in interest during construction, the total project costs are \$588,851.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we recognize that this project is a requirement of a governmental authority and find that the \$588,851 is reasonable for the project. Sunshine recorded a cost of \$431,956 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-23 by \$156,895 (\$588,851 - \$431,956).

ST-24: OW Remediation PFAS BV Well 3

Sunshine requested cost recovery for the installation of ion exchange vessels at Well BV-3 in the Orangewood water system. This is needed to reduce levels of per- and poly-fluoroalkyl substances (PFAS) to below current Environmental Protection Agency (EPA) Maximum Contaminant Level (MCL). After a 2020 assessment, six of the seven wells in the Orangewood system were found to be in exceedance of the 2016 EPA MCL of 70 parts per trillion (ppt). This MCL was later further reduced to 4 ppt in April 2024. This project is a pilot test for Sunshine's selected PFAS treatment method. The BV-3 well was selected as the initial pilot as it is the largest in the Orangewood system. Kimley-Horn was contracted to evaluate treatment methods for PFAS contamination and evaluated both Granular Activated Carbon and Selective Ion Exchange. The 2022 Technical Memorandum provided by Kimley-Horn recommended Ion Exchange as the preferable method due to higher bed volumes for PFAS removal, less capital costs for installation, lower empty bed contact time, less space required to implement, and lower operating costs. The project had an initial estimated completion date of August 2024, but this was delayed to December 2024 due to electrical issues and construction delays due to several hurricanes. In its briefs, OPC did not object to the costs associated with the project under the specific circumstances in this case. However, OPC believes that approval of this pilot program should not be a precedent for approval of additional PFAS remediation projects as this treatment method may not be best at other sites.

In its initial filing, Sunshine requested \$1,837,292 for the project, including \$1,707,838 for construction and engineering, \$19,640 in capitalized time, \$109,814 for interest during construction, and \$0 in contingency.

Sunshine underwent a formal bidding process and received bid proposals from two companies of the five requested. Vogel Bros. Building Co. was selected as the general contractor due to providing the lowest bid price.

Sunshine provided contracts, task orders, and invoices of \$1,334,651 for construction and \$373,187 for engineering. Including an additional \$19,640 in capitalized time and \$109,814 in interest during construction, the total project costs are \$1,837,292.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that the \$1,837,292 is reasonable for the project as the project is the most cost-effective method to achieve the latest EPA requirements for PFAS. Sunshine recorded a cost of \$1,837,292 in its MFRs; therefore, we find that no adjustment is necessary for ST-24.

ST-25: Curlew Creek Lift Station Gravity Main Rehabilitation

Sunshine requested cost recovery for the rehabilitation of two manholes and the section of gravity sewer main pipeline between them that runs parallel to the Curlew Creek. The creek bank has severely eroded and left the sewer system vulnerable to environmental contamination and/or the manholes collapsing into the creek. Due to the project being located within a Pinellas County drainage easement, Sunshine required a Right-of-Way Permit to complete the project. Sunshine will expand the existing sheet pile retaining wall and install upstream and downstream end walls to prevent further erosion before the necessary restoration. The project includes the construction of approximately 92 linear feet of sheet pile retaining wall and the subsequent

backfilling of the area behind the new retaining wall with flowable fill material. The initial completion date was August 2025, but this was revised to March 2025 due to the multiple hurricanes in 2024 worsening the damage and the project being declared an emergency by the Utility.

In its initial filing, Sunshine requested \$645,480, including \$620,000 for construction, \$6,900 in capitalized time, \$38,580 for interest during construction, and \$0 in contingency. This was corrected in response to discovery, as the actual costs for construction were only \$600,000. However, Sunshine filed an updated request for \$701,088 as the initial amount was based on the estimate of the construction vendor, additional material being needed, and the complexity of the work needing a second engineering opinion.

Sunshine underwent a formal bidding process and received bids from three companies. Sunshine awarded the project to Left Coast Utilities, the lowest bidder.

Sunshine provided contracts, task orders, and invoices of \$552,500 for construction and \$99,190 for engineering. Including \$7,494 in capitalized time and \$41,904 in interest during construction, the total project costs are \$701,088.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we find that \$701,088 is reasonable for the project as the project is needed to prevent further environmental contamination and exposure of the sewer system. Sunshine recorded a cost of \$645,480 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-25 by \$55,608 (\$701,088 - \$645,480).

ST-26: UIF Jansen Water Main Relocation

Sunshine requested cost recovery for the relocation of an existing water main within the Jansen subdivision in Apopka, Florida. The project is required to be completed as part of a Seminole County project to construct a new sidewalk and gravity wall along Linneal Beach Drive. As the existing water main conflicts with the planned location of the new sidewalk, it must be relocated before Seminole County begins construction to maintain water service to customers. As part of this project, Sunshine has opted to replace the asbestos cement piping with a combination of HDPE and Polyethylene piping. This project includes the removal of approximately 700 linear feet of existing 4-inch diameter asbestos cement water main, installation of approximately 685 linear feet of 4-inch diameter HDPE piping, installation of approximately 150 linear feet of 4-inch diameter PVC piping, and service connections to the new water main. The initial completion date for the project was December 2024, but has been delayed until January 2025 due to a delay in receiving DEP potable water clearance.

In its initial filing, Sunshine requested \$215,160 for the project, including \$200,000 for construction, \$2,300 in capitalized time, \$12,860 for interest during construction, and \$0 in contingency. Sunshine provided an updated request for \$362,268 due to previously unaccounted for survey work and locates done before project start date and to reflect the contracted amount rather than the estimated amount.

Sunshine underwent a formal bidding process for the work where three companies responded with bids. Sunshine opted to award the contract to Central Florida Tapping and Construction Inc. due to providing the lowest bid.

Sunshine provided contracts, task orders, and invoices for \$255,930 for construction and \$27,700 for engineering. Including an additional \$3,262 for capitalized time and \$18,237 for interest during construction, the total project costs are \$305,129.

Based on the documentation provided by the Utility and the testimony of witness Twomey, we recognize that the project is a requirement of a governmental authority and find that the \$305,129 is reasonable for the project. Sunshine recorded a cost of \$215,160 in its MFRs; therefore, we approve an adjustment to increase the cost of ST-26 by \$89,969 (\$305,129 - \$215,160).

Total Pro Forma Adjustments

Based on our review of the water pro forma projects discussed in Issues 4 and 4A, we approve a total water pro forma value of \$40,527,234, resulting in a reduction of \$1,310,997 to the Utility's initial request contained in its MFRs. Based on our review of the wastewater pro forma projects, we have determined that the total pro forma values shall be \$16,262,302, resulting in an increase of \$1,600,372 to the Utility's initial request contained in its MFRs.

Corresponding adjustments shall also be made to decrease accumulated depreciation and depreciation expense by \$116,370 for water and to increase accumulated depreciation and depreciation expense by \$42,319 for wastewater.

b) Conclusion

Pro forma plant additions shall be decreased by \$1,310,997 for water and increased by \$1,600,372 for wastewater, which includes the adjustment for the proposed AMI project (Issue 4A). Corresponding adjustments shall also be made to decrease accumulated depreciation and depreciation expense by \$116,370 for water and to increase accumulated depreciation and depreciation expense by \$42,319 for wastewater. Adjustments to pro forma plant retirements and TOTI shall be made as set forth in Issues 5 and 29.

C. Plant Retirement (Issue 5)

a) Analysis

In its initial filing, Sunshine reflected pro forma retirements to plant and accumulated depreciation of \$1,956,635 for water and \$1,643,685 for wastewater, along with corresponding reductions of \$73,122 and \$51,319 to depreciation expense for water and wastewater, respectively. The Utility also identified contributed plant in the pro forma retirements and included corresponding adjustments to retire associated CIAC in the amounts of \$451,677 for water and \$240,934 for wastewater. An adjustment to decrease CIAC amortization expense for the pro forma contributed plant by \$7,049 for wastewater was recorded in the initial filing.

Sunshine witness Swain subsequently updated the pro forma retirements in the MFRs with a revised schedule identified as Exhibit DDS-3. Per Sunshine, the correct plant retirements and accumulated depreciation to be made are \$2,317,753 for water and \$1,964,052 for wastewater. The amounts for retirements and included adjustments to retire associated CIAC were also updated to \$267,850 for water and \$270,445 for wastewater, along with a reduction to CIAC amortization expense of \$8,015.

OPC argued that the entire cost of the pro forma AMI project should be disallowed as this is not a required project. OPC stated that retirements should be adjusted to reflect the reversal of the assumed test year retirements of existing meters upon the rejection of the proposed uninstalled AMI meters.

Based on our approved adjustments to pro forma plant (Issue 4), we find that updated retirements are appropriate. However, the Utility's initial and rebuttal filing did not include the corresponding adjustment to CIAC amortization expense for the pro forma contributed plant for water. We recalculated the corresponding adjustment to the CIAC amortization expense. Based on the appropriate pro forma retirements discussed above, CIAC amortization expense shall be decreased by \$5,390 for water.

b) Conclusion

Based on the information above, we find that the pro forma plant retirements and the associated accumulated depreciation amounts are \$2,317,753 for water and \$1,964,052 for wastewater. As such, plant and accumulated depreciation shall be decreased by \$361,118 for water and \$320,367 for wastewater, along with the following corresponding adjustments. CIAC and accumulated amortization of CIAC shall be increased by \$183,827 for water and decreased by \$29,511 for wastewater. Depreciation expense shall be decreased by \$14,496 for water and \$10,613 for wastewater. CIAC amortization shall be decreased by \$5,390 for water and \$966 for wastewater.

III. Rate Base

A. Test Year Plant-In-Service Adjustments (Issue 3)

a) Analysis

Sunshine witness Swain made test year adjustments to the plant-in-service balance to correct allocations of common plant between water and wastewater and to reclassify plant accounts for the wastewater system. Although he addressed pro forma adjustments, OPC witness Smith did not dispute these test year adjustments in his testimony, nor did OPC dispute these specific adjustments in its post-hearing brief.

Further, staff witness Mouring's testimony reflected audit adjustments to the test year balances of land in Audit Finding No. 7. After further research, Sunshine witness DeStefano confirmed the amount as \$57,066, rather than the auditor's finding of \$35,590. As such, we find

that these test year adjustments are appropriate and adjustments are necessary to the test year land balances: a \$29,570 decrease for water and a \$27,496 decrease for wastewater.

As addressed in our analysis of accumulated depreciation (Issue 13), we approve of the Utility's adjustments to annualize depreciation expense based on the corresponding plant assets being recognized in rate base. Based on the annualization calculated in the MFRs, our staff calculated the corresponding increase to test year plant-in-service balances. As such, we approve of increases of \$3,918,720 and \$8,285,365 to the test year plant-in-service balances for water and wastewater, respectively to reflect corresponding adjustments to annualization addressed in our analysis of accumulated depreciation.

b) Conclusion

We approve decreases of \$29,570 and \$27,486 to the land balances for water and wastewater, respectively. We approve increases of \$3,918,720 and \$8,285,365 to the test year plant-in-service balances for water and wastewater, respectively to reflect corresponding adjustments to annualization addressed in our analysis of accumulated depreciation (Issue 13). Adjustments to pro forma plant (additions and retirements) shall be made as set forth and discussed in Issues 4 and 5.

B. Excessive Unaccounted for Water (Issue 6)

At the hearing, we approved a Type 2 stipulation as to the appropriate percentages of excessive unaccounted for water for certain Sunshine systems as follows: Lake Placid, 9.3 percent; LUSI (Four Lakes), 11.2 percent; Golden Hills, 0.9 percent; Labrador, 3.3 percent; Summertree, 4.5 percent; Orangewood, 8.7 percent; Bear Lake, 5.3 percent; Little Wekiva, 1.4 percent. Adjustments shall be made to purchased power, chemicals and purchased water as appropriate.

C. Excessive Infiltration and/or Inflow (Issue 7)

At the hearing, we approved a Type 2 stipulation as to the appropriate percentages of excessive infiltration and/or inflow for certain Sunshine systems as follows: Ravenna Park, 41.27 percent. Adjustments shall be made to purchased power, chemicals, and purchased wastewater as appropriate.

D. Used and Useful (U&U) – Water Treatment (Issue 8)

At the hearing, we approved a Type 2 stipulation as follows: All water treatment and related facilities are 100 percent used and useful.

E. U&U Water Storage (Issue 9)

At the hearing, we approved a Type 2 stipulation as follows: All water storage and related facilities are 100 percent used and useful.

F. U&U Water Distribution (Issue 10)

At the hearing, we approved a Type 2 stipulation as follows: All water distribution and related facilities are 100 percent used and useful.

G. U&U Wastewater Treatment (Issue 11)

At the hearing, we approved a Type 2 stipulation as follows: All wastewater treatment and related facilities are 100 percent used and useful except as follows: Crownwood, 74.78 percent. In Sandalhaven, the used and useful percentage of purchased capacity shall be 42.24 percent, the force main, master lift station structure, and the pumping equipment shall be 100 percent.

H. U&U for Collection (Issue 12)

At the hearing, we approved a Type 2 stipulation as follows: All collection lines are 100 percent used and useful.

I. Accumulated Depreciation (Issue 13)

a) Analysis

Sunshine witness Swain made test year adjustments to the accumulated depreciation balance to correct the allocation of common plant between water and wastewater and to correct the over amortization of Sandalhaven intangible plant. The Utility also made adjustments to annualize accumulated depreciation for test year plant additions. Pro forma adjustments to accumulated depreciation are addressed in Issues 4 and 5.

Annualization

OPC argued that Sunshine incorrectly calculated rate base, as witness Swain stated that various factors are annualized rather than using a 13-month average. It specifically cited that Sunshine violated Rule 25-30.433(5), F.A.C., which requires the rate case filing to utilize the 13-month average for calculating rate base. Per witness Swain, Sunshine is not incorrectly calculating these values, as the Utility filed its rate case using all required 13-month averages, and made pro forma adjustments. She maintained that pro forma adjustments look to the future and apply the future as an adjustment to the test year, which is not a mismatch nor is it out of compliance with Rule 25-30.433(5), F.A.C.

As explained by OPC witness Smith, depreciation is annualized for pro forma additions of plant that occur after the end of the test year. This is a convention of ratemaking, thus recognizing the full year of the asset in plant, accumulated depreciation, and depreciation expense. The Utility represented the adjustment as pro forma in its filing, or subsequent to the test year, based on the same convention.

We agree with witness Swain in regard to the appropriateness of annualization as a pro forma adjustment. However, we also agree with OPC witness Smith's argument that it was a mismatch to include the annualization on an asset recorded on a 13-month average basis. Thus, it

is also reasonable to include the annualization of the test year additions as a corresponding adjustment to eliminate the mismatch. As such, as reflected in Issue 3, we approve including a plant-in-service annualization adjustment to reflect the corresponding assets in rate base.

Net Salvage Value

OPC also argues in its brief that Sunshine violated Rule 25-30.140(3)(a), (6), and (7), F.A.C., by not applying net salvage to six accounts (three each for water and wastewater). The Utility argued that we have consistently excluded the negative salvage value from depreciation rates for water and wastewater utilities. However, Sunshine did acknowledge that if this practice changes, it would be considered an accounting change and should only apply moving forward. Staff witness Mouring confirmed the accuracy of this historical practice, noting that, except for the Pluris 2023 Rate Case, he is not aware of any instance where we approved depreciation rates including net salvage value.²⁴ Without a rule waiver or variance, the Utility shall be required to make this adjustment to conform to the Rule on a prospective basis. As such, accumulated depreciation shall be reduced by \$35,830 for water and \$37,410 for wastewater. The corresponding depreciation adjustments are reflected in our test year depreciation expense calculations (Issue 30) and our approved pro forma adjustments (Issue 4) reflect the application of net salvage value to applicable plant accounts.

Audit Finding No. 6

In witness Mouring's testimony, Audit Finding No. 6 addressed the reclassification of wastewater plant projects, which had a resulting change in accumulated depreciation. The Utility agreed with the finding as well. Therefore, we approve reducing wastewater accumulated depreciation by \$16,229.

b) Conclusion

We approve decreases to the test year accumulated depreciation of \$35,830 for water and \$53,639 (\$37,410 + \$16,229) for wastewater. All necessary adjustments to accumulated depreciation associated with pro forma additions and retirements shall be made as set forth and discussed in Issues 4 and 5.

J. Contributions-In-Aid-Of-Construction (CIAC) Balances (Issue 14)

a) Analysis

In its initial filing, the Utility's only adjustments to CIAC were retirements associated with certain pro forma plant projects in the amounts of a decrease of \$451,677 for water and a decrease of \$240,934 for wastewater.

Staff witness Mouring's testimony reflected an audit finding of \$19,395 that the Utility had booked to miscellaneous service revenues that should have been charged to CIAC, which resulted in an increase to CIAC for water in the amount of \$10,050 and an increase to wastewater

²⁴Order. No. PSC-2024-0118-PAA-WS, issued on April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgfield, LLC.*

in the amount of \$9,345, and a resulting decrease to miscellaneous revenues in the same amounts. This finding addressed planning and inspection fees for developer projects for which it was recommended that the fees be treated as CIAC as opposed to miscellaneous revenue.

Sunshine witness DeStefano agreed with the finding, and witness DeStefano's rebuttal testimony described the reflection of the full test year activity as an addition to CIAC – reducing rate base – and an offsetting removal from miscellaneous revenues in the MFR Schedules.

OPC stated that all CIAC should be calculated using a 13-month average. Pursuant to Rule 25-30.433(5), F.A.C., for Class A utilities, rate base is to be calculated using a 13-month average. As part of rate base, plant-in-service, accumulated depreciation, CIAC, and accumulated amortization of CIAC, should reflect 13-month average balances.²⁵ OPC believes we should make an adjustment to reflect a 13-month average for the miscellaneous revenue in Audit Finding No. 4 and reject the Utility's proposed year-end method as it is inconsistent with our rule and ratemaking.

A 13-month average was not calculated or provided through the audit or testimony of our staff witness Mouring, any Utility witness, nor any OPC witness. During the hearing, witness DeStefano stated that making the proposed adjustment on a full-year basis would be a larger decrease than if a 13-month average was used. Consequently, we accept the adjustment to the test-year balance of CIAC as presented is appropriate.

C. Conclusion

We approve adjustments to increase the adjusted test year CIAC balances in the amount of \$10,050 for water and in the amount of \$9,345 for wastewater. All necessary adjustments to CIAC associated with pro forma additions and retirements shall be made (Issue 5).

K. Accumulated Amortization of CIAC Balances (Issue 15)

a) Analysis

In its initial filing, the Utility's test year adjustment to the accumulated amortization of CIAC balance included a decrease to water in the amount of \$5,360 and a decrease to the wastewater in the amount of \$2,845,039 to correct the over amortization of CIAC. This adjustment to correct the balance was a result of a determination of over-amortization of certain CIAC accounts.²⁶ We approve additional adjustments to accumulated amortization of CIAC to capture the Utility's retirements (Issue 5) associated with certain pro forma contributed plant projects. OPC stated that adjustments to accumulated amortization should be made consistent

²⁵Order No. PSC-2009-0537-PCO-WU, issued August 4, 2009, in Docket No. 20080695-WU, *In re: Application for general rate increase by Peoples Water Service Company of Florida Inc.*, p. 3 ("Plant-in-service, accumulated depreciation, contributions in aid of construction (CIAC), and accumulated amortization of CIAC should reflect 13-month average balances.")

²⁶Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.*

with our adjustment to CIAC balances (Issues 13 and 14), but provided no specific testimony addressing the Utility's balances. Per Sunshine, the Test Year adjustments to Accumulated Amortization of CIAC reflect a correction to Test Year balances due to over amortization of fully amortized amounts.

All necessary pro forma adjustments to accumulated amortization of CIAC are made as set forth in this Order (Issue 5). As a corresponding adjustment to staff witness Mouring's recommended increase to CIAC, the Utility's accumulated amortization of CIAC shall also be increased by \$251 and \$234 for water and wastewater, respectively. As such, we approve that accumulated amortization of CIAC be increased by \$251 for water and \$234 for wastewater.

b) Conclusion

Based on the record as discussed herein, accumulated amortization of CIAC shall be increased by \$251 for water and \$234 for wastewater. All necessary adjustments to accumulated amortization of CIAC associated with pro forma retirements shall be made as set forth in this Order (Issue 5).

L. Working Capital (Issue 16)

a) Analysis

Rule 25-30.433(3), F.A.C., requires that Class A Utilities use the balance sheet method to calculate the working capital allowance. In its MFRs, the Utility recorded a working capital allowance of \$1,746,652 for water and \$2,617,989 for wastewater.

In rebuttal testimony, Sunshine witness DeStefano stated that "the Company agrees that the GL (General Ledger) account should be associated with NARUC 253.2" in his response to Audit Finding 2. Witness DeStefano went on to say "the GL account balance was not mapped to the working capital calculation on MFR Schedule A-17 and therefore has no impact on the filing or proposed revenue requirement." Therefore, we find it unnecessary to make adjustments to working capital allowance in connection to Audit Finding 2, Notes and Accounts Payable for Associated Companies.

In response to Audit Finding 3, Sunshine witness DeStefano acknowledged that the Utility "incorrectly mapped the water Accrued Revenues to wastewater and vice versa." In its filing, the Utility recorded \$213,140 for water and \$267,030 for wastewater as Accrued Revenues. Based on Audit Finding 3, we approve decreasing Accrued Revenues by \$6,017 for water and increasing this account by \$6,017 for wastewater. OPC witness Smith presented adjustments related to various legal proceedings. In response, witness DeStefano included adjustments to defer and amortize legal expenses associated with the Wekiva WWTP legal proceeding as working capital costs in his rebuttal testimony. These adjustments included increases of \$411,356 and \$382,462, or \$793,818 in total, for water and wastewater, respectively, to defer Utility legal expenses from 2022 through 2024. Additionally, the Utility made adjustments reducing working capital allowance by \$82,271 for water and \$76,492 for

wastewater to reflect a one year amortization of legal expense. In total, the Utility increased working capital allowance by \$329,085 (\$411,356 - \$82,271) for water and \$305,969 (\$382,462 - \$76,492) for wastewater.

As part of his testimony, OPC witness Smith testified that adjustments increasing working capital allowance by \$132,580 for water and \$123,267 for wastewater should be made to reflect the impact of operating expense adjustments on miscellaneous deferred debits. These adjustments by OPC reflect corresponding miscellaneous deferred debits for prior legal expenses and weather costs; allocated at 51.82 percent to water and 48.18 percent to wastewater.

As set forth in our analysis of test year O&M expense (Issue 28), we do not find it is appropriate to include any legal expenses related to the Wekiva WWTP legal proceeding. Also, as discussed in our analysis of test year O&M expense, we do not approve of an adjustment related to weather and hurricane costs. As such, we find that no adjustment shall be made to working capital allowance in connection to the legal proceedings or weather costs.

b) Conclusion

The appropriate working capital allowance is \$1,740,635 for water and \$2,624,006 for wastewater. Thus, we approve of a decrease of \$6,017 for water and an increase of \$6,017 for wastewater.

M. Test Year Rate Base

a) Analysis

In Sunshine's initial submission, the Utility stated that the appropriate rate base is \$83,244,667 for water and \$101,573,042 for wastewater. Per OPC, the appropriate rate base for the December 31, 2023 test year is a fallout issue pending the resolution of all other issues.

Based upon the Utility's adjusted 13-month average test year balances and our approved adjustments, the appropriate 13-month average rate base is \$85,959,204 for water and \$111,439,518 for wastewater. Schedule Nos. 1-A and 1-B, attached herein, reflect our approved rate base calculations for each system. Our adjustments to rate base for each system are shown on Schedule No. 1-C.

b) Conclusion

Consistent with our approved adjustments, the appropriate rate base is \$85,959,204 for water and \$111,439,518 for wastewater.

IV. Cost of Capital

A. Accumulated Deferred Taxes (Issue 18)

a) Analysis

The Accumulated Deferred Taxes (ADIT) balance for the historic test year ended December 31, 2023, as reflected on MFR Schedule D-1 was \$5,833,302, along with a decrease of \$10,469 to reflect pro forma plant additions, resulting in an adjusted total balance of \$5,822,833. In rebuttal testimony, the pro forma adjustment was revised to reflect a decrease of \$4,099. Sunshine also included an additional amount of \$4,969,273 to reflect the protected ADITs that were created as a result of the TCJA, approved in the Utility's 2020 Rate Case as a liability to amortize over the remaining life of the associated assets.²⁷

Although OPC did not provide any testimony contesting the ADIT balance, it argued in its brief that the balance should reflect a non-used and useful adjustment to the balance pursuant to Rule 25-30.433, F.A.C. This same adjustment was reflected in the Utility's 2016 Rate Case.²⁸ Consistent with our decision made in that rate case, we agree with OPC and have calculated the ADIT impact of the non-U&U adjustment for the Golden Hills/Crownwood and Sandalhaven systems. This results in a decrease of \$5,218. We also calculated the fallout impact of the approved pro forma plant additions reflected in Issues 4. The updated pro forma plant additions result in an increase of \$13,508. In total, the Utility's ADIT balance shall be increased by \$8,290, resulting in a total balance of \$5,841,592, not inclusive of the TCJA liability.

b) Conclusion

The appropriate amount of ADITS to include in the capital structure is \$5,841,592, plus \$4,969,273 in TCJA-related liability. This reflects an increase of \$13,508 related to pro forma plant additions and a decrease of \$5,218 for a corresponding adjustment related to U&U, for a net increase of \$7,640.

B. Customer Deposits (Issue 19)

At hearing, we approved a Type 2 Stipulation that the appropriate amount of customer deposits to include in the capital structure shall be \$319,453.

C. Short-Term Debt Rate (Issue 20)

At hearing, we approved a Type 2 Stipulation that the appropriate cost rate for short-term debt for the test year shall be 8.25%.

D. Long-Term Debt Rate (Issue 21)

²⁷Order No. PSC-2021-0206-FOF-WS.

²⁸Order No. PSC-2017-0361-FOF-WS.

At hearing, we approved a Type 2 Stipulation that the appropriate cost rate for long-term debt for the test year shall be as follows: Fixed: 4.92%, Variable: 7.51%.

E. Return on Equity (ROE) (Issue 22)

At hearing, we approved a Type 2 Stipulation that the appropriate ROE shall be 10.35%

F. Weighted Average Cost of Capital (Issue 23)

a) Analysis

Sunshine stated the weighted average cost of capital (WACC) is a fallout from the determinations of other issues. Similarly, adjustments to WACC presented by OPC witness Smith were a fallout from his recommended adjustments in other issues.

In its MFRs, Sunshine requested a capital structure based on a 13-month average as of December 31, 2023, consisting of common equity in the amount of \$87,447,369 (50.36 percent), long-term debt in the amount of \$67,478,252 (38.86 percent), variable long-term debt in the amount of \$14,725,053 (8.48 percent) and short-term debt in the amount of \$3,993,823 (2.30 percent) as a percentage of investor supplied capital. The ratio of the Utility’s investor supplied capital is based on the actual capital structure of Sunshine’s parent company. The Utility appropriately used the 13-month average to determine the capital structure for Class A utilities as required by Rule 25-30.433(5), F.A.C., with a pro forma reduction to ADITs to reflect pro forma plant projects. Sunshine reconciled the capital structure to the rate base using only its investor sources of capital. The Utility’s request in its original filing is reflected in Table 3, including the ROE initially reflected in the filing.

Table 3
Sunshine Requested Weighted Average Cost of Capital

Capital Component	Amount	Percentage	Cost Rate	Weighted Cost
Long-Term Debt	\$67,478,252	36.51%	4.92%	1.796%
Long-Term Debt – Variable	14,725,053	7.97%	7.51%	0.599%
Short-Term Debt	3,993,823	2.16%	8.25%	0.178%
Common Equity ²⁹	87,447,369	47.32%	10.36%	4.902%
Customer Deposits	319,453	0.17%	2.00%	0.003%
Accum. Deferred ITCs	61,653	0.03%	0.00%	0.000%
ADITs	5,822,833	3.15%	0.00%	0.000%
ADITs – TCJA	4,969,273	2.69%	0.00%	0.000%
Total	<u>\$184,817,710</u>	100%		7.478%

²⁹The ROE reflects the Utility’s initial filing, not the stipulated ROE reflected in Issue 22.

The weighted average cost of capital is a fallout issue that combines the cost rates and amounts of the capital components into a final rate of return. For Issues 19 through 22, the cost rates for customer deposit (2.00 percent), short-term debt (8.25 percent), long term debt (4.92 percent fixed, 7.51 percent variable), and ROE (10.35 percent) are stipulated. However, as addressed in our analysis of quality of service (Issue 1), we approved a 30 basis point penalty. Consistent with our recent decisions, we has reconciled the capital structure to the rate base using all sources of capital.³⁰ The appropriate WACC is presented in Schedule No. 2 and in Table 4 below.

Table 4
Approved Weighted Average Cost of Capital

Capital Component	Amount	Percentage	Cost Rate	Weighted Cost
Long-Term Debt	\$75,688,021	38.34%	4.92%	1.89%
Long-Term Debt – Variable	16,507,007	8.36%	7.51%	0.63%
Short-Term Debt	4,486,288	2.27%	8.25%	0.19%
Common Equity	98,085,409	49.69%	10.05%	4.99%
Customer Deposits	75,125	0.04%	2.00%	0.00%
Accum. Deferred ITCs	14,499	0.01%	0.00%	0.00%
ADITs	1,373,757	0.70%	0.00%	0.00%
ADITs – TCJA	<u>1,168,616</u>	0.59%	0.00%	<u>0.00%</u>
Total	<u>\$197,398,722</u>	100.00%		7.70%

b) Conclusion

Based on the proper components, amounts, and cost rates associated with the capital structure for the 13-month average test year ended December 31, 2023, as discussed in Issues 18 through 22, the appropriate weighted average cost of capital for Sunshine for purposes of setting rates in this proceeding is 7.70 percent, as reflected in Schedule No. 2, attached herein.

V. Test Year Revenues

A. Test Year Revenues (Issue 24)

a) Analysis

Water

In its revised MFRs, the Utility reflected adjusted test year revenues of \$22,920,518. The test year revenues consisted of service revenues of \$22,649,755 and miscellaneous revenues of \$270,764 for water. The Utility’s service revenues included a decrease of \$715,273 to reflect the reversal of an accrual. In addition, the Utility’s service revenues included an increase of

³⁰Order No. PSC-2025-0035-PAA-GU, issued January 30, 2025, in Docket No. 20240046-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*; Order No. PSC-2024-0046-PAA-WS, issued February 22, 2024, in Docket No. 20230081-WS, *In re: Application for increase in water and wastewater rates in Broward County by Royal Waterworks, Inc.*

\$1,103,616 to account for annualizing a price index increase implemented subsequent to the test year. By annualizing the service revenues, our staff determined the Utility's adjustment to be appropriate and agrees that the service revenues are \$22,649,755.

OPC Witness Smith stated that Sunshine's test year miscellaneous service charges were based on rates set years ago and did not reflect increases related to inflation. According to witness Swain's rebuttal testimony, the Utility was not entitled to price index increases in 2020 or 2021. However, the Utility indicated that price index increases were approved each year since Sunshine's last rate case in 2020. The Utility had a price index increase that became effective on June 2, 2024, subsequent to the test year, which resulted in an increase to rates and miscellaneous service charges. Witness Swain's rebuttal testimony indicated that the Utility annualized service revenues; however, the Utility did not annualize the impact of the price index rate changes for miscellaneous service charges. The Utility made an adjustment to increase miscellaneous revenues by \$7,817 for water to reflect annualizing the increase in miscellaneous service charges. In its brief, OPC indicated water miscellaneous revenues should be increased by \$7,817 as reflected in its exhibit and is consistent with witness Swain's adjustment. We agree with the Utility's adjustment and find that miscellaneous revenues for water shall be increased by \$7,817.

Further, pursuant to our staff's audit report, planning and inspection charges of \$10,050 were included in miscellaneous revenues, which should have been classified as CIAC. The Utility agreed with our staff's audit finding. The adjustment to remove CIAC from miscellaneous revenues reflects a decrease of \$10,050. The net adjustment to miscellaneous revenues is a decrease of \$2,234 (\$7,817-\$10,050), resulting in test year miscellaneous revenues of \$268,530 (\$270,764 - \$2,234).

Wastewater

In its revised MFRs, the Utility reflected test year revenues of \$29,619,077. The test year revenues consisted of service revenues of \$29,367,332 and miscellaneous revenues of \$251,744. The Utility's service revenues included an adjustments to reverse an accrual of \$79,153. In addition, the Utility's adjusted service revenues included an increase of \$1,469,073 to account for annualizing a price index increase implemented subsequent to the test year. By annualizing the service revenues, our staff determined the annualized revenue adjustment to be to be \$1,469,105. As a result, service revenues shall be increased by \$32, resulting in adjusted test year service revenues of \$29,367,364.

As discussed above for the water system, the Utility made an adjustment to account for the impact of the price index increase that became effective on June 2, 2024, subsequent to the test year. The Utility made an adjustment to increase miscellaneous revenues by \$7,268 for wastewater to reflect annualizing the increase in miscellaneous service charges. In its brief, OPC indicated wastewater miscellaneous revenues should be increased by \$7,268 as reflected in its exhibit and is consistent with witness Swain's adjustment. We also agree with the Utility's adjustment and find that miscellaneous revenues for wastewater shall be increased by \$7,268.

Further, pursuant to our staff's audit report, planning and inspection charges of \$9,345 were included in miscellaneous revenues, which should have been classified as CIAC. The Utility agrees with our staff's audit finding. The adjustment to remove CIAC from miscellaneous revenues reflect a decrease of \$9,345. The net adjustment to miscellaneous revenues is a decrease of \$2,077 (\$7,268 - \$9,345), resulting in test year miscellaneous revenues of \$249,667 (\$251,744 - \$2,077).

Finally, the Utility removed allowance for funds prudently invested (AFPI) of \$38,529 and guaranteed revenues of \$8,903 from its test year revenues, which totaled \$47,333. In witness Smith's testimony, OPC increased wastewater test year revenues by \$47,333 to add AFPI and guaranteed revenue back to test year revenues. In its brief, the Utility indicated that AFPI and guaranteed revenues are associated with non-used and useful plant costs and should not be included in operating revenue. Although OPC witness Smith subsequently agreed with witness Swain's approach of not including AFPI in operating revenues, OPC witness Smith indicated that guaranteed revenues should be recorded above the line as operating revenues.

Furthermore, witness Smith agreed that guaranteed revenues had been treated below the line in other Sunshine rate cases, but believes it is appropriate to record these revenues above the line. Witness Smith said, "...the Commission hasn't been totally consistent among all water utilities that have guaranteed revenues as to how they should be treated in the revenue requirement. And had it not been for that recent case that treated it above the line, I think we probably would not have been recommending that it be treated above the line in the current case."

Rule 25-30.515, F.A.C., defines a guaranteed revenue charge as a charge designed to cover the utility's costs including, but not limited to the costs of operation, maintenance, depreciation, and any taxes, and to provide a reasonable return to the utility for facilities, a portion of which may not be used and useful to the utility or its existing customers and are not included in rates. By definition, the guaranteed revenue charge is similar to AFPI charge in that it is designed to recover non-used and useful components that are not part of the revenue requirement. It is appropriate to maintain the same ratemaking treatment for guaranteed revenue as for AFPI revenue. Therefore, we agree with the Utility that guaranteed revenues shall not be included in operating revenues for rate setting purposes and OPC's adjustment to add back guaranteed revenue of \$8,903 shall not be reflected.

b) Conclusion

Based on the above, the appropriate test year revenues for Sunshine's water and wastewater systems are \$22,918,285 (\$22,649,755 + \$268,530) and \$29,617,031 (\$29,367,364 + \$249,667) respectively; therefore, the Utility's adjusted test year revenues shall be decreased by \$2,234 for water and decreased by \$2,045 (\$32 - \$2,077) for wastewater.

VI. Operating & Maintenance (O&M) Expenses**A. Rate Case Expense (Issue 25)****a) Analysis**

In its MFRs, the Utility requested \$676,030 for rate case expense. In its brief, Sunshine also stated the appropriate amount of rate case expense is \$676,030. However, our staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On October 8, 2024, the Utility submitted its support documentation. A breakdown of our subsequent calculation of the Utility's revised rate case expense is set forth in Table 5 as follows:

Table 5
Sunshine's Revised Rate Case Expense Request

	Actual	Additional Estimated	Revised Total
Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A.	\$47,102	\$108,259	\$155,361
Milian, Swain & Associates	113,850	131,588	245,438
M&R Consultants	38,015	13,500	51,515
Commission Filing Fee	9,000	0	9,000
Kimley Horn	8,417	8,417	16,835
Sunshine Water Services Company	0	12,000	12,000
Noticing & Supplies	<u>950</u>	<u>102,050</u>	<u>103,000</u>
Total	<u>\$217,334</u>	<u>\$375,814</u>	<u>\$593,149</u>

In its brief, OPC stated several adjustments should be made to remove rate case expense for MFR deficiency review, the AMI project, legal expenses related to the Wekiva Hunt Club WWTP, and Sunshine witness Seidman's projected remaining expenses. However, we have approved the AMI project (Issue 4A). We therefore do not find that any adjustments to remove related rate case expense is necessary. In reference to the Wekiva Hunt Club WWTP, we have reviewed the invoices provided and find that the legal expenses presented are the direct result of activities performed for this rate case, including preparation and responses to inquiries, and are appropriate for recovery. Adjustments for MFR deficiency review and witness Seidman are discussed further herein.

Pursuant to Section 367.081(7), F.S., we shall determine the reasonableness of rate case expense and shall disallow all rate case expense determined to be unreasonable. We have examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on our analysis, we find that the following adjustments to Sunshine's requested rate case expense are appropriate.

Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A.

In its MFRs, Sunshine included \$246,000 in estimated legal fees and \$10,000 in estimated expenses. The Utility provided updated documentation detailing rate case expense for the law firm on October 8, 2024. Using the supporting documentation provided, we calculated \$41,021 in incurred legal fees and \$6,081 in expenses. Sunshine estimated the remaining costs for the law firm to be \$104,960 in legal fees and \$3,299 in expenses over the remainder of the case.

We reviewed supporting documentation and found 2.2 hours, equaling \$902 in legal fees, related to correcting deficiencies. We have previously disallowed rate case expense associated with correcting MFR deficiencies because of duplication of filing costs.³¹ As such, we find that it is appropriate to reduce legal fees by \$902.

The law firm also included an estimated 88 hours for two attorneys to travel to and from Tallahassee for the hearing, one day of preparation, and three days for the final hearing. Based on the transcripts the hearing was only two days long. We have removed 16 hours (8 hours x 2 attorneys) from the estimated time to recognize one less day for the final hearing. This represents a reduction of \$6,560. Based on the above, we hereby reduce legal fees by \$7,462 (\$6,560 + \$902).

Milian, Swain & Associates

In its MFRs, the Utility included \$242,800 in estimated fees and \$2,500 in expenses to be paid to Milian, Swain & Associates over the course of the rate case to assist with the MFRs, discovery responses, audit review, recommendation review, and the final hearing. The Utility provided updated documentation detailing rate case expense for Milian, Swain & Associates on October 8, 2024. Using the supporting documentation provided, we calculated \$113,850 in incurred fees. The Utility estimated \$131,588 to be paid to Milian, Swain & Associates over the remainder of the case for responses to the audit and discovery, as well as the final hearing. We reviewed the support documentation and verified that there were no hours related to correcting deficiencies included in the requested recovery of fees. We therefore find that the incurred fees, and estimate to complete, are reasonable and make no adjustment.

M&R Consultants

In its MFRs, the Utility included a total of \$50,730 in expense from M&R Consultants, which included \$49,980 in estimated fees and \$750 in expenses to be paid to M&R Consultants over the course of the rate case to assist with U&U analysis, MFRs, data requests, audit facilitation, and the hearing. The Utility provided updated documentation detailing rate case expense for M&R Consultants on October 8, 2024. Using the supporting documentation provided, we calculated \$38,015 in incurred fees. The Utility estimated \$12,750 in estimated fees and \$750 in estimated costs to be paid to M&R Consultants over the remainder of the case for response to discovery, preparation and attending the final hearing, and to prepare rebuttal testimony. The Utility's updated rate case expense, actual and estimated, totaled \$51,515.

³¹See Order No. PSC-2024-0118-PAA-WS, issued April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgfield, LLC*.

However, as discussed in OPC's brief, Sunshine witness Seidman did not file rebuttal testimony and was excused from the final hearing. Further, OPC stated that witness Seidman only responded to two discovery questions following the provided rate case expense update and suggested an allotment of two hours for the responses. We find that this is a reasonable estimate for the information provided in response to the two discovery questions. Based on the above, we find that the estimate to complete is overstated and shall be reduced to \$340 (2 hours x \$170), which reflects a reduction of \$12,410 to the Utility's estimate. We approve a total rate case expense for M&R Consultants of \$39,105 (\$38,015 + \$340 + \$750), which is total reduction of \$11,635 from the Utility's original request.

Filing Fee

The Utility included \$9,000 in its MFRs for the filing fee. This is the correct amount under Rule 25-30.020, F.A.C., so we find that no adjustment is necessary.

Kimley Horn

Sunshine did not include an estimate for engineering costs from Kimley Horn in its MFRs. The Utility provided updated documentation detailing rate case expense for Kimley Horn totaling \$8,417 on October 8, 2024. In addition to the provided documentation, Sunshine also stated that Kimley Horn was engaged to assist with pro forma project updates and discovery responses. It also provided an estimate to complete of \$8,417. We find that the incurred fees and estimate to complete is reasonable and therefore find that no adjustment is necessary.

Sunshine Water Services Company Travel Fees

In its MFRs, the Utility included \$12,000 in estimated travel fees for five witnesses to the final hearing. As discussed previously, witness Seidman was excused and did not travel to the hearing. We find that an adjustment to remove 1/5 of travel fees associated with witness Seidman's travel expenses is necessary. We estimated \$2,400 in travel fees associated with witness Seidman (\$12,000 / 5 witnesses). As such, we shall reduce travel fees by \$2,400.

Noticing & Supplies

In its MFRs, Sunshine included \$103,000 in estimated noticing and supplies expenses. The estimate was based on the amount spent for noticing in the 2020 rate case, increased by approximate CPI and customer growth values. The Utility provided updated documentation detailing rate case expense for noticing totaling \$950 on October 8, 2024. Sunshine estimated \$102,050 in noticing and supplies expense over the remainder of the case covering the initial customer notice, the service and technical hearing notice, and the final customer notice. We find that the incurred fees and estimate to complete are reasonable and therefore make no adjustment.

b) Conclusion

Based on the adjustments discussed above, Sunshine's revised rate case expense of \$593,149 shall be decreased by \$22,272 to reflect our adjustments, for a total of \$570,877. A breakdown of our approved rate case expense is in Table 6, herein.

Table 6
Approved Rate Case Expense

Description	Utility Revised Actual & Estimate	Commission Adjustments	Approved Total
Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A.	\$155,361	(\$7,462)	\$138,519
Milian, Swain & Associates	245,438	0	245,438
M&R Consultants	51,515	(12,410)	38,355
Commission Filing Fee	9,000	0	9,000
Kimley Horn	16,835	0	16,835
Sunshine Water Services Company	12,000	(2,400)	9,600
Noticing & Supplies	<u>103,000</u>	0	<u>103,000</u>
Total	<u>\$593,149</u>	<u>(\$22,272)</u>	<u>\$570,877</u>

The approved total rate case expense is \$570,877. Pursuant to Section 367.081(8), F.S., rate case expense shall be amortized over four years unless a longer period can be justified and is in the public interest. A longer period was not requested by the Utility, nor proposed by OPC. As such, this represents an annual expense of \$142,719. In its MFRs, Sunshine requested \$676,030, with an annual amortization amount of \$169,008. Based on the Utility's original filing, the annual amortization of rate case expense shall be decreased by \$26,288 (\$142,719 – \$169,008). As such, we approve an annual expense of \$73,952 for water and \$68,767 for wastewater. Based on the Utility's original filing, the annual amortization of rate case expense shall be decreased by \$13,622 for water and \$12,667 for wastewater.

B. Pro Forma O&M Expense (Issue 26)

a) Analysis

Sunshine requested several pro forma O&M adjustments in its initial filing, including several annualization adjustments for increases in rates for purchased water, sewer, sludge hauling, and chemicals. We have evaluated the requests and make several adjustments, as discussed below.

Salaries & Wages

Sunshine witness DeStefano stated the Utility compared the payroll and benefits data in the test year to the updated employee listing for those filled and vacant positions at the time of filing. Sunshine used the difference to calculate a pro forma salaries & wages adjustment of \$449,762 for water and \$418,580 for wastewater to Account Nos. 601/701 – Salaries & Wages – Employees. The Utility also calculated a pro forma increase of \$62,733 for water and \$58,357 for wastewater in Account Nos. 604/704 – Employee Pensions and Benefits. OPC did not dispute these adjustments. We find that this is a reasonable method to capture and represent the most current employee information available.

Insurance Expense

Witness DeStefano argued the Utility adjusted the insurance expense for known changes in the policy premiums that became known or went into effect during or after the test year. The Utility also calculated the portion of annualized policy premiums allocable to Sunshine. The pro forma insurance expense adjustment was calculated to be \$97,358 across accounts 656 to 659 for water, and \$75,055 across accounts 756 to 759 for wastewater. OPC did not dispute these adjustments. We find that this is a reasonable method to capture and represent the most current insurance information available.

Payment Convenience Processing Fees

In witness DeStefano's testimony, the Utility proposed to recover \$386,919 of third-party vendor payment processing charges in its revenue requirement. Witness DeStefano proposed that First Billing Services, which is the third-party vendor, would directly bill the Utility for the transaction charges rather than directly charge the customers. In witness DeStefano's testimony, the Utility stated that its customers are charged a fee based on the payment amount, customer classification, and payment method (echeck, debit/credit) when paying their bill electronically. In its brief, the Utility asserted that since its last test year there has been an increase in customer's use of electronic payment methods. Witness DeStefano testimony indicated that customers have a growing expectation for fee-free electronic transactions. Therefore, witness DeStefano believed it is appropriate to offer fully fee-free payment options for its customers by recovering the costs to process payments through its cost of service. In response to our staff's interrogatories, the Utility asserted that approximately 40.7 percent of its customer base that choose to use the electronic payment method.

Witness DeStefano testified that Utility customers should be able to choose the best method of payment for their situation, and that there were reasons why fee-free payment options would be beneficial for customers. Witness DeStefano stated that customers would be able to take advantage of incentives such as rewards or cashback with their credit card provider as well as automate their payment to better manage their budget and avoid payment delays. Witness DeStefano argued there were benefits for the Utility as well, such as better options to make a payment, improve the adoption of electronic and paperless billing practices, and lesser need for calls and contacts with the Utility's customer experience team. In its brief, the Utility asserted that the cost for payment options included in the revenue requirement would be fair and reasonable.

OPC witness Smith rejected the Utility's proposal of recovering \$368,919 of third-party payment processing charges in its revenue requirement. Witness Smith argued that regardless of how a customer chooses to pay their bill electronically, the charges that are associated with the convenient forms of payment should be charged to the cost-causer. Witness Smith testified that pursuant to the cost-causer, cost-payer principle, we have traditionally required water and sewer utility customers to pay additional charges when costs are incurred in the course of using certain payment methods for convenience. Furthermore, we have traditionally rejected subsidizing additional convenient payment charges among all the Utility's customers.

During the hearing, witness DeStefano was asked if he agreed that the cost causer principle is that customers who cause costs to the system should pay for the costs. Witness

DeStefano agreed that's the general principle, but stated that in the Utility's 2016 consolidated rate case, for instance, consolidated rates would override that principle because of the benefits.

OPC in its brief stated that the consolidation of multiple water and wastewater system is fundamentally different than a payment option chosen by a single customer, and when systems consolidate, the customers are entitled to reasonably equal water and wastewater services and should pay the same rates for the same services rendered. OPC further argued that subsidizing and socializing payment transaction fees incurred by an individual's choice do not provide any of those benefits or align with our practice and that we should "draw the line" when the cost causer incurs a cost for their own convenience.

Witness DeStefano stated that some of the payment options have charges while some do not. Overall, the Utility's customers have the option to pay their bill electronically; the Utility does not plan to change any of its payment options. Witness Smith indicated that when customers choose to pay their bill electronically is a convenience of their own and the charges incurred for that convenience should be the cost causer's responsibility and not the general body of customers.

At the hearing, witness DeStefano indicated that allowing the Utility to recover the transaction charges in the revenue requirement will benefit the customers and allow them to select the payment of their choice without the burden of charges. As stated earlier, approximately 40 percent of the customer base choose to use the electronic payment method when paying their bill. This leaves more than half of the customer base that would have to bear additional costs they have not incurred to have a fee-free payment method. We find that this is not a sufficient amount of customers that choose to use a fee-free electronic payment method. OPC recommends that we not approve Sunshine's proposal of fee-free electronic payment method of transaction charges, which would socialize and subsidize transaction charges to all customers, regardless of the payment method to justify the cost being subsidized by the general body of customers. We agree with OPC's recommendation, because there is insufficient subscription to the electronic payment method to justify spreading the cost to all ratepayers. Furthermore, it has been our practice to place the burden of such charges on the cost causer rather than the general body of customers. Therefore, we do not approve the Utility's proposal to recover \$386,919 of third-party payment processing charges in its revenue requirement. The revenue requirement shall be reduced by \$200,501 for water and \$186,418 for wastewater.

Pro Forma Capitalized Labor

Based on our approved adjustments to the Utility's pro forma plant request (Issue 4), a corresponding adjustment shall be made for capitalized labor. O&M expense shall be increased by \$14,014 for water and decreased by \$17,106 for wastewater to reflect our approved pro forma plant additions.

Pro Forma AMI Project Expense

Sunshine is requesting cost recovery for the replacement of its existing water meters for all customers within its service territory and the installation of 47 communication towers to utilize the new technology (Issue 4A). The installation of AMI meters offers operational savings associated with the reduction in meter reading staffing, whereas pro forma costs are associated

with the requisite software to create a web portal and related offerings based on the AMI technology. The Utility included in its MFRs, an additional \$45,080 in annual cellular service subscription costs.

Witness Twomey has stated that Sunshine currently employs six full-time employees and one part-time employee that are dedicated to meter reading. Once the project is complete, only two full-time employees and one part-time employee are expected to be dedicated to maintaining the AMI hardware and software. The Utility expects this project to generate annual operation expense savings of approximately \$280,662 per annum by the reassignment of four meter readers, along with compensation, benefits, and vehicle expenses. Sunshine did not opt to make an adjustment for this reduction in expenses, stating that Sunshine would reassign the existing employees to operations, growth, and preventative maintenance tasks in order to maintain current staffing levels to avoid the risk of service issues in coming years.

While OPC witness Smith argued that operational savings from AMI meters are speculative, he also argued that the Utility created a mismatch by including the cost of the project being included in base rates but not the benefits associated with it. Witness Smith stated that any related cost savings or other benefits of the project, if materialized, would occur in periods beyond 2025. In his rebuttal testimony, witness Twomey acknowledged that any savings that might materialize would occur beyond 2025 and potential benefits from the project are not known and measurable, and therefore such speculative savings were not included in the revenue requirement of the project. We find that inclusion of the ST-20 project associated costs in rate base and O&M expenses shall also result in inclusion of both the O&M savings associated with it as well. Therefore, we find it necessary to make an adjustment to reduce O&M by \$280,662 associated with the reduction in meter reading expenses. A corresponding reduction to payroll taxes other than income is addressed subsequently in this Order (Issue 29).

b) Conclusion

Based on the adjustments discussed above, we approve adjustments to decrease pro forma O&M expenses by a total of \$467,149 (-\$200,501 + \$14,014 - \$280,662) for water and \$203,524 (-\$186,418 - \$17,106) for wastewater.

C. Management Expenses (Issue 27)

a) Analysis

Sunshine recommended that no adjustments be made to the test year management fees. OPC recommended that several expenses incorporated in the proposed management fees be reduced. On April 1, 2024, Sunshine's parent closed on a merger with the parent of Southwest Water Company. As the result of the merger, in the future there will be an integration of administrative and general functions that support water and wastewater operations. Due to the finalization of the merger between CII and Nexus Water Group, there has been a consolidation of the board of directors, the elimination of three executive leadership positions, in addition to office leases and insurance cost reductions. OPC stated that these saving should be reflected in this rate case.

Based on a review of the test year payments that comprised the allocated expenses for both CII and Water Service Corporation (WSC), we have found a number of additional adjustments for expenses that were included in the management fees. All reductions were calculated using the allocation percentages provided by witness DeStefano, as reflected in the table below.

Table 7
Sunshine Allocation

Allocation	Percentage Allocation
Tier 1	70.86%
Tier 2	<u>23.73%</u>
Sunshine (Tier 1 x 2)	16.81%

Salaries/Wages

OPC proposed that several adjustments to the Utility's expense claims should be made, as discussed in OPC witness Smith's testimony. Witness Smith recommends that an adjustment should be made to remove \$16,056 from operating expenses (included in the management fees) for an estimated portion of Senior Vice President of Rates, Regulatory and Legislative Affairs for Nexus Water Group, Steven Lubertozi's salary related to lobbying and legislative advocacy. Using the mid-point level of confidential salary information, witness Smith estimated an allocated amount for the position and calculated the adjustment as a third of the allocated salary, benefits, and payroll tax, based on the position title referencing three areas (rates, regulatory and legislative affairs).

Per Sunshine witness Lubertozi's testimony, he is not registered as a lobbyist in any jurisdiction nor did he spend any time during the test year lobbying. Per Sunshine witness Elicegui, Mr. Lubertozi reviewed his calendar and estimated that for the test year of 2023, he spent approximately 80 hours in supporting lobbying activity, or approximately 3.9 percent of a 2,040-hour work year.

We agree that an adjustment to reduce salary and benefits to reflect time identified as lobbying support is prudent. However, Sunshine identified and assigned time associated with these activities, which were more accurate than the adjustment estimated by witness Smith. Based on OPC's allocated salary, benefits, and payroll tax, an adjustment of 3.9 percent would amount to \$1,878. As such we shall reduce management expenses by \$975 and \$904 for water and wastewater, respectively.

OPC also recommended that cost savings due to the elimination of several positions as a result of the merger with Nexus Water Group should be reflected. We find that any merger savings would be best included in the requested deferral accounts which would contain all benefits and costs, including the salary reductions.

Vacation Expenses

Per Sunshine, the vacation expenses reflect the accrual of vacation “bank” and use of banked vacation time for CII. The costs are determined by the per-hour rate of the applicable employees’ times the net of their vacation hours accrued/used in a given period. CII has 15 cost centers that had salary and wages expenses, and all but one of these 15 cost centers received vacation expenses. No vacation expenses were recorded for WSC or Sunshine.

If the vacation expenses reflect the accrual of vacation banked and used vacation time as Sunshine explained in any answer to one of our staff’s interrogatories, this implies that no other employees in WSC or Sunshine receive any vacation time. No clarification has been provided to explain why these used vacation expenses were not reflected in the payroll. As such, the vacation expenses shall be removed from the management fees which would result in a decrease for water of \$18,984 and a decrease for wastewater of \$17,651.

Director and Board Fees

Per Sunshine, the amounts recorded to CII Director and Board Fees reflect fees paid to the five independent directors who served as members of the board of directors of CII. OPC witness Smith recommends that one-half of the director and board fees should be removed due to the savings in board of directors fees that have resulted from the merger with Nexus Water Group. He recommends an adjustment that decreases water utility expense by \$30,327 and decreases wastewater utility expense by \$28,120 to reflect this savings.

Per witness Lubertozi’s testimony, the merger is expected to produce financial benefits, and the merger parties have taken and will continue to take a deliberate approach to planning for integration, and then executing on integration plans to mitigate potential risks to customers. Sunshine’s proposed deferrals are designed to protect customers and ensure that the proper amount of net benefits flows to Sunshine’s customers. Sunshine’s proposed deferrals capture identified benefits of integration, as well as any costs to achieve those benefits, which, if allowed in the current case – with a historic test year and limited information on merger benefits – would establish the deferrals for disposition in a future proceeding and avoid piecemeal or inconsistent reflection of merger impacts. We agree with witness Lubertozi that any merger savings would be best included in the requested deferral accounts which would include all benefits and costs, including the future director and board fees.

Memberships

Memberships for CII total \$44,952. Of this amount, we find that \$33,410 shall be excluded as the charges for various economic clubs, capital market clubs, business counsels, and board and event management software are not directly related to water/wastewater utilities nor do they represent costs that directly benefit the Utility’s customers, and as such, shall not be borne by customers.

Memberships for WSC total \$64,739. Of this amount, we find that \$24,802 shall be excluded as the various charges include social leadership club memberships, a percentage of lobbying for one of the memberships, and several unidentifiable membership charges that are not directly related to water/wastewater utilities nor do they represent costs that directly benefit the Utility’s customers, and as such, shall not be borne by customers.

Therefore, we find it necessary to exclude \$58,212 (\$33,410 + \$24,802) in memberships which results in decreasing the management fee expenses by \$5,071 for water and \$4,715 for wastewater.

Penalties and Fines

The costs for penalties and fines shall be removed as these expenses shall not be borne by the customers. Therefore, we decrease the management fee expenses by \$1,703 for water and \$1,583 for wastewater.

Entertainment – Non-Deductible

Entertainment expenses shall not be borne by the customers and shall be removed – decreasing management fee expenses by \$40 for water and \$37 for wastewater.

Late Fees

Late fees shall be removed as these expenses shall not be borne by customers – decreasing management fee expenses by \$40 for water and \$37 for wastewater.

Holiday Events

Costs for holiday and social events shall be removed as these costs shall be borne by shareholders instead of customers, as these expenses are not a direct benefit to the Utility's customers. Therefore, we hereby decrease management fees by \$2,867 for water and \$2,666 for wastewater.

Credit Card Expense Clearing

A clearing account is defined as a temporary account containing costs or amounts to be transferred to another account. A review of CII's and WSC's general ledgers indicates that the purchasing card charges are recorded in this clearing account until the detailed information is received and the expenses can be properly classified and charged to the appropriate expense object code. Due to the fact that the correct expense account cannot be determined, it is unclear whether the expenses in the credit card clearing account should be allowable for the expenses used in the rate determination. Without a clearly identified expense, we cannot determine whether these expenses are non-utility related, reasonable, or prudent. As such, these expenses shall be removed. Therefore, we hereby decrease management fees by \$4,088 for water and \$3,801 for wastewater.

Legal Fees

OPC witness Smith addressed two legal cases for which he recommended adjustments. One of the cases was for the retired executive benefits case. This case relates to multiple parties claiming to be the intended beneficiary of a Corix employee who passed away. Witness Smith stated that the customers should not pay legal costs associated with the failure of a former Corix employee to identify beneficiaries associated with their 401k plan or life insurance because this has nothing to do with the provision of water or wastewater services. As such, he argued that the legal costs associated with this case should be excluded from the instant case. He recommended that \$9,220 in legal expenses be removed from operating expenses. This adjustment allocated to water and wastewater results in a decrease of \$4,784 from water and \$4,436 from wastewater.

Per Sunshine witness DeStefano, witness Smith claimed that the costs should be removed as the legal efforts are not related to the provision of utility service. However, the benefits plans offered by CII are relevant to the provision of service to customers, as the benefit plan costs are included in the Utility's cost of service. Corix is also the plan sponsor of the benefit plans, and therefore is unable to avoid involvement in disputes or litigation related to the benefit plans. For this claim, Corix petitioned to transfer the balances in dispute to the court to limit its involvement and fulfill its plan sponsor administrative duty. Therefore, Corix's involvement in the legal dispute was limited to its responsibilities as plan sponsor of benefit plans it makes available to employees, and therefore is a prudently incurred cost. We also note that witness Smith's calculation of the Sunshine portion of the Benefits case costs omits the Tier 1 portion of the cost allocation process. The calculation of the Benefits case costs for the Test Year applicable to Sunshine is \$6,546.

Witness Smith also recommended an adjustment to remove legal expenses for the PFAS case. This class-action case relates to PFAS contamination from aqueous film-forming foams for which the Utility's sister and service company, WSC, is one among many plaintiffs. The damage award amount, if any, and whether the Water Service Corporation could be awarded attorney's fees, are still open issues. Witness Smith recommends removing \$209 in legal expenses from operating expenses, which results in an adjustment of a decrease of \$109 from water and a decrease of \$101 from wastewater.

Sunshine witness DeStefano stated that witness Smith also claimed the PFAS case has an uncertain outcome and the potential for attorney fee recovery is unknown. Per witness DeStefano, the potential outcome of a legal proceeding has no bearing on the prudence of the costs incurred by the Utility. Witness DeStefano also provided information from his legal counsel that any claims recovery in this class action suit would not make the plaintiffs 100 percent whole, and therefore recovery of attorney's fees is not likely. The potential for recovery of legal fees related to the case is not known and measurable. Witness DeStefano also noted that witness Smith's calculation of the Sunshine portion of the PFAS case costs miscalculates the Tier 1 portion of the cost allocation process. The calculation of the PFAS case costs for the Test Year applicable to Sunshine is \$297.

We agree with the Utility and find that both of these cases represent normal legal expenses and given their overall immateriality, find that these legal costs shall remain in the test year.

b) Conclusion

Based on the foregoing analysis, we find that test year management fees (Contractual Services – Management/Corporate/Regional Allocation) shall be decreased by \$33,768 (\$975 + \$18,984 + \$5,071 + \$1,703 + \$40 + \$40 + \$2,867 + \$4,088) for water and \$31,393 (\$904 + \$17,651 + \$4,715 + \$1,583 + \$37 + \$37 + \$2,666 + \$3,801) for wastewater.

D. Test Year (O&M) Expenses (Issue 28)

a) Analysis

In its MFRs, Sunshine requested Operation and Maintenance (O&M) expense of \$13,286,795 for water and \$15,625,735 for wastewater. Sunshine made several adjustments to test year O&M expenses. Our adjustments to the Utility's test year O&M expenses are discussed below.

Audit Finding No. 9

As discussed in staff witness Mouring's testimony and associated audit report, O&M shall be decreased by \$2,823 for water and \$17,160 for wastewater. For water, Account 636 (Contractual Services – Other) shall be decreased by \$408, Account 635 (Contractual Services – Testing) shall be decreased by \$2,415, Account 631 (Contractual Services – Engineering) shall be decreased by \$46,000, Account 633 (Contractual Services – Legal) shall be decreased by \$45,491, Account 615 (Purchased Power) shall be decreased by \$53.64, and \$426.85 shall be reclassified from Account 642 (Rental of equipment) to Account 340 (Office Furniture and Equipment). For wastewater, Account 736 (Contractual Services – Other) shall be decreased by \$45, Account 735 (Contractual Services – Testing) shall be decreased by \$2,064, and Account 710 (Purchased Wastewater Treatment) shall be decreased by \$15,051.

The adjustments made to Accounts 631, 636, 635, and 735 were to remove out of period invoices from O&M accounts. The adjustments made to Account 633 were to remove out of period invoices and to remove attorney fees. The adjustment to Account 736 was made to remove late fees. The adjustment to Account 614 was to remove customer late payment charges. The adjustments made to Account 710 were to remove out of period invoices and to remove a Utility bill that includes water and wastewater charges but the line item only includes water service.

For Account 631, the Utility argued that \$53,000 of audit staff's adjustment is a credit amount representing items moved from Account 631 to construction work in progress (CWIP) projects during the test year. The invoices were originally from prior to 2023, therefore the items are credits to expense in 2023. The Utility stated that \$53,000 of credits to expense should be removed, increasing O&M by that amount, and the remaining reduction of \$7,000 of the adjustment should not be made. For Account 633, the Utility argued that, for reasons already discussed in reference to Account 631, a credit to expenses of \$35,491 should be removed from O&M expenses. The \$10,000 of legal fees were from December 2023 and were reclassified to a CWIP project at the end of that month. Therefore, no adjustment is needed. For Account 636, the Utility argued the adjustments were regarding invoices for services performed in 2023, thus not an out of period activity. The Utility stated no adjustment is needed. The Utility agreed with the adjustments to Accounts 736 and 635. For Account 735, the Utility explained that the finding is regarding 3 separate transactions. \$1,857 of the adjustment total was for work performed in December 2022. This invoice is one of the 12 monthly invoices in the test year. Therefore, it shall remain in the test year to represent a full 12 months. The second part of this adjustment is a credit in the amount of \$260, reflecting the reversal of a prior year receipt. Because this transaction is non-recurring and out of the test period, it shall be removed. The last part of this

adjustment is also a non-recurring invoice occurring outside of the test year in the amount of \$467, and shall also be removed. The Utility stated the adjustment to Account 615 represents customer late payment charges. This is an appropriate entry for this account and this item shall not be removed. For Account 710, the \$15,051 invoice from January 2023 was for service in December 2022. The invoice was accrued in December 2022, and the accrual reversed in January 2022. The Utility argued that this is standard accrual accounting practice and there is no need for this adjustment. The \$13,244 amount is from the water portion of a water and wastewater combined invoice. This amount was originally posted to Account 710, but was later reclassified to 610 in the same month. Therefore, the Utility argued there is no need to make this adjustment. Lastly, the Utility identified that an invoice in the amount of \$427 for office supplies should be reflected in Account 675 and not reclassified to Account 340, as the items purchases do not classify as an asset. We agree with the Utility's position on these audit adjustments. In total, O&M expenses shall be increased by \$43,442 and \$42,383 for water and wastewater, respectively, to reflect the corrections for Audit Finding 9.

Directors and Officers Liability (DOL) Insurance

OPC witness Smith proposed an adjustment of \$22,467, \$11,637 from water and \$10,790 from wastewater to reduce directors and officers liability (DOL) insurance expense. This insurance protects shareholders from the decisions they made when they hired the Company's Board of Directors and the Board of Directors in turn hired the officers of the Company. Witness Smith stated the DOL insurance is primarily a benefit to the shareholders, therefore they should be responsible for the costs associated with this insurance coverage. OPC proposed this adjustment to remove half of the costs from the expenses. Sunshine witness DeStefano argued the DOL insurance is not primarily a benefit to the shareholders. Witness DeStefano stated shareholders are not the beneficiaries or insured parties of the DOL policy. Witness DeStefano also argued this type of insurance has long been expected for these director and officer positions. Without the protection of the insurance policies, potential employees for these positions could possibly reject employment opportunities or request much higher pay. In its brief, Sunshine stated that DOL insurance is essential to obtain and retain qualified individuals for leadership positions. Therefore, it is a benefit to the customers. However, in previous rate cases, we have allowed half of the cost of DOL insurance to stay in test year expenses.³² We agree with OPC's argument and adjustment to remove half of the DOL insurance from expenses. Therefore, we shall decrease O&M expenses by \$11,637 from water and \$10,790 from wastewater.

DEP Penalty

In response to discovery, the Utility stated that it had incorrectly included a Florida DEP penalty accrual as an expense. OPC witness Smith also identified this as an adjustment that needed to be made. The adjustment to remove this penalty from O&M expenses consists of \$165,188 for water and \$153,584 for wastewater. In Utility witness DeStefano's rebuttal testimony, he stated the Utility agreed with this adjustment. Therefore, we shall make a reduction of \$165,188 for water and \$153,584 for wastewater.

³² See Order Nos. PSC-2012-0179-FOF-EI, issued April 3, 2012, in Docket No. 20110138-EI, *In re: Petition for increase in rates by Gulf Power Company*, p. 101; PSC-2010-0131-FOF-EI, issued March 5, 2010, in Docket No. 20090079-EI, *In re: Petition for increase in rates by Progress Energy Florida, Inc.*, p. 99.

Wekiva Legal Expenses

OPC proposed the removal of \$210,838 in legal expenses from the Utility's wastewater O&M expenses. This proposed adjustment comes from the Wekiva legal proceeding. The proceeding concerns multiple inspections conducted by DEP in March and April of 2022. After those inspections, DEP issued a Warning Letter in April 2022 alleging violations of Florida law. This Warning Letter represents the initiation of a civil proceeding. The proceeding is then finished if DEP finds the response to be agreeable. DEP and Sunshine conducted multiple meetings and reached a resolution with a Consent Order on May 23, 2024. At the time of these inspections, a special agent from DEP's criminal division was in attendance. Sunshine was then notified a criminal investigation was also ongoing. Sunshine hired criminal counsel to protect itself. Sunshine has not received any more formal requests after April 2023 and no formal proceeding has been filed. At this time, many of the relevant statute of limitations have passed. Sunshine assumes the case has been closed, but has not received any official notice of closure.

In OPC witness Smith's direct testimony, he argued that these costs are not recurring and therefore should not be included in O&M expenses and should be amortized over 5 years. The Utility agreed with this adjustment being made and the amortization of the amount over 5 years. In its brief, OPC stated customers should not be forced to pay the legal defense costs for mismanagement of a system that led to the need to fend off possible criminal charges against management employees. We agree that customers should not be responsible for expenses related to management issues associated with the Wekiva WWTP. OPC stated the entire amount of \$777,225 should be denied, with \$320,657 coming from the 2022 amount and \$347,991 coming from the 2023 test year amount. As such, wastewater O&M expenses for the historic test year shall be decreased \$347,991 to reflect the removal of the legal expenses.

Lamelza Legal Expenses

OPC proposed a removal of \$6,933 in legal expenses (\$3,597 for water and \$3,336 for wastewater). This proposed adjustment is from the Lamelza case, which involved an individual who allegedly broke her ankle after walking into a water utility box in the back of a property in a development. The plaintiff sued multiple parties in an attempt to find the party responsible for the equipment that allegedly caused injury. OPC argued that this case remains ongoing and the outcome is uncertain. In its brief, OPC stated the legal and operating expenses from this case do not provide benefits to Florida customers and are inappropriate for ratemaking. The Utility argued that it was named a defendant therefore, it had to defend itself. The Utility also argued the costs from this case are part of a representative level of test year expenses and not eligible to be recovered via the awarding of attorney's fees. Based on the materiality and status of the case, we will not remove the \$6,933 from the historic test year.

Charitable Contributions

Witness Smith stated that he decreased O&M expenses by \$20,243, with \$10,490 for water and \$9,754 for wastewater. This adjustment was to remove charitable contributions from the Utility's O&M expenses. OPC argued that the shareholders, not the customers, should be responsible for the cost of charitable donations. In Utility witness DeStefano's rebuttal testimony, he stated the Utility agreed with this adjustment. Therefore, we hereby reduce water and wastewater O&M expenses by \$10,490 and \$9,754, respectively.

Chamber of Commerce Dues

In OPC witness Smith's direct testimony, he identified an adjustment to remove \$10,000, \$5,189 from water and \$4,811 from wastewater, from O&M expenses for a charitable contribution to the Florida Chamber Foundation. The Utility also paid amounts of \$3,000, \$1,200, and \$489 to the Florida Chamber of Commerce, Inc., Seminole County Regional Chamber, and South Lake Chamber of Commerce, respectively. In total, the recommended reduction for the dues was \$7,612 for water and \$7,077 for wastewater. In Utility witness DeStefano's rebuttal testimony, he stated the Utility agreed with this adjustment. We therefore reduce water and wastewater O&M expenses by \$7,612 and \$7,007, respectively

Sewer Maintenance Repairs

OPC witness Smith proposed an adjustment to decrease wastewater O&M expense by \$29,879 to remove sewer maintenance repairs expense related to the pro forma Wekiva Hunt Club WWTP Aerator Installation project. OPC argued this amount was also included in the pro forma Wekiva Hunt Club WWTP Aerator Installation project, and therefore was duplicative and should be removed from expenses. The Utility agreed with this adjustment. We therefore reduce wastewater O&M expenses by \$29,879.

Weather and Hurricane Costs

OPC witness Smith proposed an adjustment decreasing O&M expenses by \$26,978 for water and \$25,014 for wastewater, to reflect the amortization over a five-year period of costs associated with hurricanes or other weather-related events. Utility witness DeStefano argued that these costs related to storms are commonly incurred. These costs represent fuel purchases for generators and vehicles used during the multiple weather events that occur each year. Witness DeStefano also noted that the Utility incurred an unrepresentative level of weather related costs from the impacts of Hurricane Ian and began amortizing those costs over a five-year period. We find the Utility's explanation reasonable and acknowledge that one or more weather events can happen each year. Therefore, we find that no adjustment is needed.

Amortization of Rate Case Expense

Test year O&M expense shall be reduced by \$96,267 for water and \$89,504 for wastewater to reflect the removal of Rate Case Expense amortization granted to the Utility in its 2020 Rate Case. Under Section 367.081(8), F.S., the expiration of the amortization and reduction to rates is scheduled to coincide with the timing of rates in the instant docket. With this adjustment, the requirement to remove fully amortize a rate case expense will be met.

b) Conclusion

Based on the analysis set forth herein, we shall decrease test year O&M expenses by \$247,752 (\$43,442 - \$11,637 - \$165,188 - \$10,490 - \$96,267) for water and \$140,228 (\$42,383 - \$10,790 - \$153,584 - \$347,991 - \$9,754 - \$28,879 \$89,504) for wastewater.

VII. Net Operating Income and Revenue Requirement

A. Taxes Other Than Income (Issue 29)

a) Analysis

Based on our adjustments to test year revenues and removal of the Utility's requested increase, regulatory assessment fees (RAFs) shall be reduced by \$232,992 for water and \$211,654 for wastewater. To reflect our adjustment to pro forma capitalized labor (Issue 4), payroll taxes shall be increased by \$1,072 for water and decreased by \$1,309 for wastewater. Payroll taxes for water shall be further reduced by \$13,221 to reflect corresponding adjustment to O&M for AMI meter replacements (Issue 26). To reflect our adjustments to pro forma plant in Issue 4, property taxes shall be increased by \$18,568 for water and \$21,007 for wastewater. There shall also be a decrease of \$1,273 for wastewater to reflect the correct non U&U property tax adjustment to correspond to the stipulation related to used and useful wastewater treatment calculation (Issue 11). In total, test year TOTI shall be decreased by \$226,574 ($-\$232,992 + \$1,072 - \$13,221 + \$18,568$) for water and \$193,229 ($-\$211,654 - \$1,309 + \$21,007 - \$1,273$) for wastewater.

b) Conclusion

In total, test year TOTI shall be decreased by \$226,574 for water and \$193,229 for wastewater.

B. Test Year Depreciation Expense (Issue 30)

a) Analysis

In addition to the depreciation expense adjustments made in Issues 4 and 5, which address AMI meters, corresponding adjustments shall be made to reduce depreciation expense and reflect our decisions in Issues 13 and 14. To reflect our adjustment for net salvage value in Issue 13, depreciation expense shall be reduced by \$35,380 for water and \$37,410 for wastewater. To reflect Audit Finding No. 6 addressed in our analysis of accumulated depreciation (Issue 13), wastewater depreciation expense shall be reduced by \$7,048. In total, depreciation expense shall be reduced by \$35,830 and \$44,458 ($-\$37,410 - \$7,048$) for water and wastewater, respectively.

b) Conclusion

In addition to the depreciation expense adjustments approved in relation to pro forma plant and plant retirement (Issues 4 and 5), depreciation expense shall be reduced by \$35,830 and \$44,458 for water and wastewater, respectively.

C. Test Year CIAC Amortization Expense (Issue 31)

a) Analysis

In its original filing, the Utility made an adjustment of \$1,134 for water and \$350,917 for wastewater to correct the over-amortization CIAC expense. This adjustment was made to the same three systems in the Utility's 2017 rate case, as well as the same three systems in the Utility's last rate case.³³ The remaining adjustments to CIAC amortization in the Utility's original filing are related to retirements associated with pro forma plant projects. Pro forma plant project retirements are addressed in Issue 5. A final corresponding adjustment shall be made to increase CIAC amortization for water and wastewater by \$251 and \$234, respectively, to reflect Audit Finding No. 4 (Issue 14).

b) Conclusion

We hereby approve an adjustment to increase test year CIAC amortization for water and wastewater by \$251 and \$234, respectively. All necessary adjustments to CIAC amortization shall be made as set forth in Issue 5.

D. Test Year Income Taxes (Issue 32)

a) Analysis

In its brief, Sunshine stated income tax will depend upon the specific level of revenues authorized by us. Likewise, OPC included the same statement in its brief. The Utility also noted a correction that was made to the calculation of income taxes through the rebuttal testimony of witness Swain. Witness Swain testified that the calculation of interest expense did not include the long-term variable debt. We agree with the Utility's adjustment and have included long-term variable debt in our calculation of interest expense.

As a result of our adjustments, the appropriate amount of test year income taxes is \$362,100 for water and \$718,759 for wastewater. As discussed below, we have calculated a revenue increase of \$4,532,641 for water and \$4,703,419 for wastewater (Issue 33). As a result, income taxes shall be increased by \$1,097,102 for water and \$1,138,438 for wastewater to reflect the change in revenues.

a) Conclusion

The appropriate amount of test year income taxes is \$360,208 for water and \$718,759 for wastewater. Income taxes shall be increased by \$1,079,102 for water and \$1,138,438 for

³³Order Nos. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. cf Florida*; and PSC-2021-0206-FOF-WS, issued June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. cf Florida*.

wastewater to reflect the change in revenues, resulting in total income tax expense of \$1,457,310 for water and \$1,857,197 for wastewater.

E. Revenue Requirement (Issue 33)

a) Analysis

In its filing, Sunshine requested a revenue requirement to generate annual revenue of \$28,095,894 for water, representing a revenue increase of \$5,175,674, or 22.58 percent. The Utility limited its increase to 19.9 percent with a \$614,491 reduction to the revenue increase, reflecting an adjusted requested water revenue requirement of \$27,481,702. Sunshine requested a revenue requirement of \$34,320,450 for wastewater, representing a revenue increase of \$4,714,928, or 15.9 percent.

Consistent with our calculations regarding rate base, cost of capital, and operating income issues, the appropriate revenue requirement is \$27,450,926 for water and \$34,570,491 for wastewater. However, our practice is to limit a utility to the revenue requirement requested in its initial filing.³⁴ Therefore, we find that the appropriate reduced revenue requirement for wastewater to be \$34,320,450. Schedule Nos. 3-A and 3-B, attached hereto, reflects our approved net operating income calculations and resulting revenue requirement. Our adjustments to net operating income are shown on Schedule No. 3-C, attached hereto.

Conclusion

The appropriate revenue requirement is \$27,450,926 for water and \$34,320,450 for wastewater.

VIII. Rates, Misc. Service Charges, and Other

A. Water Rate Structures and Rates (Issue 34)

a) Analysis

In its revised MFRs, Sunshine's proposed water rates are a result of the requested water revenue increase applied as an across the board increase to its existing rates. Those proposed rates included a repression adjustment to discretionary usage based on a reduction of 2 percent for every 10 percent increase in revenue. Sunshine witness Swain stated that this is consistent

³⁴ Order Nos. PSC-13-0673-FOF-WS, issued December 19, 2013, in Docket No. 130212-WS, *In re: Application for increase in water/wastewater rates in Polk County by Cypress Lakes Utilities, Inc.*; PSC-08-0761-PCO-SU, issued November 17, 2008, in Docket No. 080247-SU, *In re: Application for Wastewater Rate Increase by Utilities, Inc. cf Eagle Ridge*, PSC-06-0675-PCO-SU, issued August 7, 2006, in Docket No. 060255-SU, *In re: Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.*; and PSC-05-0287-PAA-SU, issued March 17, 2005, and in Docket No. 040972-SU, *In re: Application for rate increase in Pinellas County by Ranch Mobile WWTP, Inc.*

with the repression adjustment requested and allowed in Order No. PSC-2017-0361-FOF-WS.³⁵ Sunshine proposed a revenue increase of approximately 19.9 percent in water revenues and reduction in discretionary consumption based upon the increase would be a 3.98 percent to discretionary consumption, resulting in a reduction to overall consumption of 2.3128 percent.

As discussed previously, we find that the Utility's reduced revenue requirement of \$27,450,926 is appropriate (Issue 33). As such, we find that rates shall be designed to recover the approved revenue requirement as proposed by Sunshine. We find that the Utility's proposed repression adjustment is reasonable in this case for recognizing a reduction to residential discretionary usage.

The Utility's proposed rates are consistent with its proposed limited revenue requirement. However, adjustments were made to decrease miscellaneous revenues, which result in an increase of revenues to be recovered from service rates and a decrease of revenues recovered through miscellaneous service charges. We calculated rates based on the reallocation. Our approved rates as shown on Schedule No. 4-A, attached herein.

b) Conclusion

Based on the above, the approved rate structures and monthly water rates are shown in Schedule No. 4-A. The Utility shall file revised tariff sheets and proposed customer notices to reflect approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notices and the notices have been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

B. Private Fire Protection Charges (Issue 35)

At the hearing, we approved a Type 1 stipulation as follows: The fire protection rate shall be established pursuant to Rule 25-30.465, F.A.C.

C. Wastewater Rate Structures and Rates (Issue 36)

a) Analysis

In its revised MFRs, Sunshine proposed wastewater rates are a result of the requested wastewater revenue increase applied as an across the board increase to its existing rates. Sunshine witness Swain indicated that she inadvertently did not include a repression adjustment to the calculation of the wastewater rates in the original filing. Witness Swain cited Order No. PSC-2017-0361-FOF-WS, wherein one of the Utility's prior rate cases we approved a repression adjustment to the wastewater billing determinants to account for the expected decline in water

³⁵Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. cf Florida.*

demand. Consistent with witness Swain's proposed water repression adjustment, the wastewater repression adjustment is based on a two percent reduction in discretionary consumption for every 10 percent increase in revenue. Witness Swain asserted that in order to compensate for the anticipated 3.16 percent reduction in discretionary billable water, an across the board reduction of .310 percent should be applied to the wastewater gallonage charge.

As set forth in our discussion of water rate structure and rates, we have limited the Utility's revenue requirement to the request in its petition of \$34,320,450 (Issue 34). As such, rates shall be designed to recover the approved revenue requirement. We do not agree with witness Swain's methodology for calculating the wastewater repression adjustment. In formulating the repression adjustment, witness Swain used the wastewater revenue increase to determine the adjustment. However, we do not recognize an adjustment due to an increase in the price of wastewater, but due to the effect of an increase in the price of water on customer demand. Our practice is to calculate increases in the price of water as the catalyst for whether or not there is a repression adjustment which would ultimately flow through to wastewater.³⁶ Based on our practice, we used witness Swain reduction in water gallons to determine the appropriate wastewater repression. This resulted in a wastewater repression adjustment that was de minimis. Therefore, no repression adjustment for wastewater is necessary.

The Utility's proposed rates are consistent with its proposed limited revenue requirement. However, adjustments were made to decrease miscellaneous revenues, which result in an increase of revenues to be recovered from service rates and a decrease of revenues recovered through miscellaneous service charges. We calculated rates based on the reallocation. Our approved rates are shown on Schedule No. 4-B.

b) Conclusion

The approved rate structures and monthly wastewater rates are shown on Schedule No. 4-B, attached hereto. The Utility shall file revised tariff sheets and a proposed customer notice to reflect approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notices and the notices have been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

D. Reuse Rates (Issue 37)

a) Analysis

In its revised MFRs, the Utility reflected proposed residential reuse rates of \$11.84 for the BFC and \$2.23 for the gallonage charge. Sunshine's proposed reuse rates are a product of

³⁶Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. cf Florida.*

applying the Utility's requested wastewater percentage increase of 16 percent to its existing reuse rates. OPC witness Smith proposed reuse rates of \$12.51 for the BFC and \$2.35 for the gallonage charge.

Our practice with respect to setting reuse rates does not include a cost based justification. Instead, the charge is typically set to reflect that sales of reuse as a lower cost alternative disposal method. Witness Smith indicated that current ratio of the reuse BFC to the potable water BFC is 75.24 percent (\$10.21/\$13.57) and current ratio of the reuse gallonage charge to the lowest tier of the potable water gallonage charges is 101.05 percent (\$1.92/\$1.90). For the Utility's proposed rates, the ratio of the BFC charge for reuse to potable water is 71.20 percent (\$11.84/\$16.63) and the proposed gallonage charge for reuse to the lowest tier of the potable water usage is 95.71 percent (\$2.23/\$2.33). Witness Smith argued that consistent with OPC's proposed reuse rates the current parity should be maintained that exists between the wastewater reuse rates and the rates for the lowest of tier of potable water usage. Witness Smith explained that keeping the reuse rates on a parity level with potable water that makes reuse the better option is in the public interest. As a result of OPC's proposed reuse rates, witness Smith asserts that reuse water revenues should be increased \$25,639 to reflect the proposed higher reuse rates.

There was some disagreement between OPC and Sunshine on the nature of witness Smith's adjustment as to whether it was a rate design issue or a revenue requirement issue. Witness Smith argued that the adjustment involves some aspects of both while witness Swain attested that the adjustment is a rate design issue. We agree with witness Swain. The wastewater revenue requirement encompasses both wastewater and reuse water. The portion of the wastewater revenue requirement recovered through the reuse rates is subtracted from the wastewater revenue requirement to determine the appropriate portion of the wastewater revenue to be used to design the wastewater rates. We agree with witness Smith that the proposed adjustment of \$25,639 to increase reuse revenues has the effect of reducing the amount of wastewater revenue requirement for designing the wastewater rates. However, we do not agree with witness Smith's proposed reuse rates and its corresponding adjustment.

Witness Smith indicated that reuse rates should be designed such that it is the cheaper option than potable water. Witness Smith's proposed reuse rates are a cheaper option than potable water, but they are higher than the Utility's proposed reuse rates. We find that OPC's proposed reuse rates move closer to the potable water rates than the Utility's proposed reuse rates, which is counterintuitive to reuse pricing. Bills based on a 4,000 gallon consumption level would be \$25.95 for potable water, \$20.76 for reuse under the Utility's proposed rates, and \$21.91 for reuse under OPC's proposed rates. The Utility's proposed reuse rates are priced such that they incentivize customers to choose the reuse water rather than potable water. Overall, customers are likely to choose reuse water when it's available because it avoids them also having to pay for irrigation gallons up to the Utility's cap on their wastewater bill if they use the potable water. Consistent with our analysis of wastewater rate structures and rates (Issue 36), the Utility's proposed residential reuse rate are hereby approved.

b) Conclusion

Based on the above, the appropriate reuse rates for wastewater is shown on Schedule No. 2, attached herein. The Utility shall file a revised tariff sheet and a proposed customer notice to reflect the approved rate. The approved reuse rate shall be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

E. Customer Deposits (Issue 38)

At the hearing, we approved a Type 1 stipulation as follows: The amount of customer deposits shall be established pursuant to Rule 25-30.311, F.A.C.

F. Miscellaneous Service Charges (Issue 39)

a) Analysis

The Utility did not request to revise its existing miscellaneous service charges. Section 367.091, F.S., authorizes us to establish, increase, or change a rate or charge other than monthly rates or service availability charges. Some of the Utility's existing charges do not conform to Rule 25-30.460, F.A.C. In its brief, OPC indicated that the appropriate miscellaneous service charges should be calculated based on Witness Smith's adjustments. Witness Smith's adjustments reflect an annualization of the impact on miscellaneous revenues of the price index increases to miscellaneous service charges during the test year. This adjustment was made to test year revenues (Issue 24) for water and wastewater. This has no impact on the miscellaneous service charges.

The Utility currently has an initial connection charge, a normal reconnection charge, a violation reconnection charge, and a premises visit charge of \$40.06 during business hours. The Utility also has after-hour charges of \$49.62 as well as actual cost for the same charges during business hours. Pursuant to Rule 25-30.460, F.A.C., initial and reconnection charges are obsolete and are subsumed in the definition of the premises visit charge. Therefore, we find that the initial and reconnection charges are obsolete and shall be removed. We also find that the definition for the premises visit charge shall be updated to comply with Rule 25-30.460, F.A.C.

b) Conclusion

Based on the above, the appropriate miscellaneous service charges shall reflect the removal of the initial connection and normal reconnection charges. The premises visit charge definition shall be updated consistent with Rule 25-30.460 F.A.C. The Utility shall be required to file a proposed customer notice to reflect approved charges. The approved charges shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice and the notice has been

received by customers. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

G. Guaranteed Revenue Charges (Issue 40)

a) Analysis

In its revised MFRs, the Utility did not request a change to its guaranteed revenue charge. Rule 25-30.515(9), F.A.C., defines a guaranteed revenue charge as a charge designed to cover the utility's costs including, but not limited to, the cost of operation, maintenance, depreciation, and any taxes, and to provide a reasonable return to a utility for facilities, a portion of which may not be used or useful to a utility or its existing customers. The charge is designed to help a utility recover a portion of its cost from the time capacity is reserved until a customer begins to pay monthly service rates.

OPC indicated that the guaranteed revenue charge is dependent on the resolution of other issues. We disagree with OPC that the appropriate charge is dependent upon other issues in the case. In prior cases, the guaranteed revenue charge has been based on a charge that is equal to a utility's approved BFC for one ERC.³⁷ However, the Utility did not request the guaranteed revenue charge be changed. As a result, we find that the appropriate guaranteed revenue charge is the existing charge of \$25.35, and the guaranteed revenue charge shall remain unchanged.

b) Conclusion

The Utility did not request the guaranteed revenue charge be changed. As a result, we find that the appropriate guaranteed revenue charge is the existing charge of \$25.35, and the guaranteed revenue charge shall remain unchanged.

H. Meter Installation Charges (Issue 41)

a) Analysis

In witness DeStefano's testimony, the Utility proposed to upgrade its current meters to an AMI metering system. The Utility proposed to increase its meter installation charge of \$201.21 to \$591.83 for a 5/8 inch x 3/4 inch meter size and actual cost for all other meter sizes. A meter installation charge is designed to recover the cost of the meter and its installation. In witness DeStefano's testimony, the Utility provided a cost justification. In its brief, OPC asserted that the Utility did not justify its proposed 194 percent increase to its current meter installation charge. OPC asserted that the Utility's proposal is expensive and unnecessary. Furthermore, OPC indicated that the cost of the meter was not included in the filing and believes that the disallowance of AMI would remove the cellular connector charge of \$144.45, which would be a

³⁷Order No. PSC-2018-0595-TRF-SU, issued December 20, 2018, in Docket No. 20180219-SU, *In re: Request for approval of amendment to tariff to charge a standby charge to customers significantly impacted by Hurricane Michael in Gulf County, by ESAD Enterprises, Inc. d/b/a Beaches Sewer System.*

savings for future customers. Therefore, OPC recommends that we deny the Utility's proposal to revise its meter installation charge.

Despite OPC's assertion that the cost per meter was not included in the Utility's filing, our review of the Utility's cost justification provided indicates that all the components and costs of the 5/8 inch x 3/4 inch meter size were included. The cost justification also indicates the cost and components of other meter sizes as well, which are all shown in Exhibit DMD-2. We find that the cost justification is appropriate and the Utility's proposed meter installation charge for the 5/8 inch x 3/4 inch falls within the range of our recent approval of a meter installation charge of \$674.³⁸ Therefore, we disagree with OPC's recommendation to deny the Utility's proposed meter installation charges. Based on our decision to approve the AMI infrastructure (Issue 4A), the Utility's meter installation charge of \$591.83 for the 5/8 inch x 3/4 inch meter size and all other meter sizes at actual costs is appropriate.

b) Conclusion

Based on the forgoing analysis, we approve a meter installation charge of \$591.83 for a 5/8 inch x 3/4 inch meter size and actual costs for all other meter sizes. The Utility shall be required to file a proposed customer notice to reflect approved charges. The approved charges shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by customers. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

I. Affordability (Issue 41A)

a) Analysis

This issue, proposed by OPC, asks whether the resulting rates are affordable within the meaning of fair, just, and reasonable pursuant to Sections 367.081 and 367.121, F.S. Section 367.081, F.S., sets forth the factors we must consider in a water and wastewater rate case. However, there is no mention of "affordability" in Chapter 367. What the statutes explicitly require is for us to approve rates that are "just, reasonable, compensatory, and not unfairly discriminatory." Section 367.081(2)(a)1., F.S.³⁹ In order to effectuate a determination of "just, reasonable, compensatory, and not unfairly discriminatory rates," we consider a number of

³⁸Order No. PSC-2024-0118-PAA-WS, issued April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgfield, LLC*.

³⁹We have only previously considered "affordability" in the limited context of a rate structure issue when determining the appropriate levels of subsidization when consolidating water and wastewater rates. See Order No. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, *In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.*, p. 123 *et seq.* We also held that, "Based on all the above, first, we note there is no "affordability" test for setting a utility's revenue requirement under Chapter 367, F.S. ... [T]his is a rate structure issue, and we believe it is not appropriate to use this issue to justify any decrease in the revenue requirement." *Id.* at 159.

factors, the weight of which may vary slightly from one rate proceeding to another. For example, we must consider and weigh evidence on the value and quality of the service,⁴⁰ as well as the ability for the utility to recover a fair return on its investment of utility in property that is used and useful in the public service.⁴¹ Furthermore, pursuant to Section 367.081(2)(a)2.c., F.S., we must approve certain expenses that are associated with “environmental compliance costs,” as well as allow cost recovery for “reasonable rate case expense incurred during a rate proceeding.” These factors are typically discrete issues supported by testimony and evidence.

OPC is attempting to create an additional factor or standard in this case for us to weigh – “affordability,” requesting that we create a standard for affordability and ultimately to make a finding on affordability. OPC asserts that we should consider affordability to be consistent with other U.S. regulatory jurisdictions. OPC also claims affordability is an issue in this case because Sunshine’s Witness Twomey used the word “affordable” in a line of his testimony, thereby opening the door to the issue. OPC argues that a rate would be unreasonable and prohibitive if it is in excess of what the consumer can afford to pay.

OPC asserts in its brief that we should consider affordability as a factor in this case, but it fails to adequately address the fact that the word “affordable” is not defined, let alone referenced, in Chapter 367, F.S. We do not have such enabling legislation, because nowhere in Chapter 367, F.S., is “affordability” mentioned as a factor that we can or should consider when setting rates.

OPC also asserts that because Sunshine’s Witness Twomey used the word “affordability” in a line of his testimony, “affordability” became an issue in this case.⁴² However, merely mentioning a word or concept in testimony does not make it an issue that we have the authority to consider.

In its post-hearing position, OPC contends that we should consider affordability to be consistent with the trends in the other U.S. regulatory jurisdictions in this proceeding, and all future water and wastewater utility base rate proceedings in evaluating rate increase requests. OPC maintained a similar position in Tampa Electric Company’s (TECO) recent rate case, in which OPC argued that “affordability” should also be an issue.⁴³ However, in that case we found that unlike Florida, those other states had express statutory authorization to consider affordability when setting rates.⁴⁴ We also addressed the subjective nature of the term “affordability” in the TECO case, and found that while we had broad discretion to carry out our legislative mandate of

⁴⁰ Section 367.081(2)(a)1., F.S.

⁴¹ *Id.*

⁴² Witness Twomey stated that Sunshine “strives to provide safe and reliable service at affordable rates....” When later asked during cross examination whether affordability should be a legitimate issue in setting rates, witness Twomey responded, “No.”

⁴³ Order No. PSC-2025-0038-FOF-EI, issued February 3, 2025, in Docket Nos. 20240026-EI, *In re: Petition for rate increase by Tampa Electric Company*; 20230139-EI, *In re: Petition for approval of 2023 depreciation and dismantlement study, by Tampa Electric Company*; and 20230090-EI, *In re: Petition to implement 2024 generation base rate adjustment provisions in paragraph 4 of the 2021 stipulation and settlement agreement, by Tampa Electric Company*.

⁴⁴ *Id.* at 185.

ensuring rates are fair, just, and reasonable, “there exists no statutory authority to infer a specific definition of affordability absent express legislative authorization.” *Id.* at 184-186.

The record in this case does not support findings on “affordability” nor does it allow for us to weigh testimony or evidence on affordability. As argued by Sunshine, we have previously found that affordability is subjective in nature – what constitutes affordability to one person may represent unaffordability to another person. In other words, affordability is subjective because utility bills vary depending on many factors beyond the control of a utility or us, such as the customer’s personal utility usage choices, income levels, financial obligations, and spending priorities, as well as overall economic factors such as inflation. Nowhere in this record did OPC or the Utility establish a clear standard or measure for what could constitute “affordability” for Sunshine’s customers.

b) Conclusion

We have broad discretion to carry out its legislative mandate of ensuring rates are just, reasonable, compensatory, and not unfairly discriminatory. However, there exists no statutory authority to infer a specific definition of affordability absent express legislative authorization. To the extent we can consider the “affordability” of customer bills, we must do so within the context of our governing statutes in Chapter 367, F.S.

J. Merger Deferral Accounts (Issue 42)

a) Analysis

Sunshine has requested permission to establish deferral accounts to properly account for both the savings and the expenses related specifically to the Merger of Sunshine’s parent company with the parent of Southwest Water Company. The concept of deferral accounting allows companies to defer costs and benefits due to ongoing events such as the merger and seek recovery through rates at a later time if warranted. If the subject costs and/or benefits are significant, the alternative would be for a company to seek a rate proceeding each time it experiences a large exogenous event.

Due to the ongoing nature of the merger, Sunshine Witness Lubertozi has proposed establishing two deferral accounts to track the benefits and costs to achieve benefits related to the Merger. He proposed that in a future rate case, Sunshine may request recovery of the costs incurred which result in achieving benefits to customers, but only up to the amount of the related merger benefits. He indicated that the deferrals would be reviewed in each Sunshine rate case, culminating in a final review in the first Sunshine rate case filing after the completion of the five-year period following the merger closing. He indicated that Sunshine will not request recovery of net costs and will propose to return any deferred net merger benefit to customers in future rate cases. Witness Lubertozi stated that Sunshine intends to defer costs that were incurred prior to the consummation of the Merger. OPC witness Smith agreed that without a deferral, the savings would benefit the Utility and not flow to customers.

OPC argues that we should deny the Utility's request to establish any deferral accounts, stating that Sunshine failed to identify any cost categories or accounts to be included in the requested regulatory deferral accounts. Further, the Utility failed to provide any evidence of what costs, benefits, categories, or accounts are associated with these regulatory asset deferral accounts. OPC contends that we should deny these deferral accounts as there has been no competent substantial evidence to support the Utility's request that can be cited to, except for the name of the regulatory asset, and that the Utility "believes the proposed deferral accounts provide customer protection for unknown scale or timing of potential impacts of the merger."

In response to discovery, the Utility explained any benefits that result from integration efforts, such as the consolidation of executive board fees, would be recorded in the deferral accounts. Likewise, Sunshine has requested to track only costs specifically related to achieving the integration benefits, such as severance pay for eliminated positions. The Utility has not requested to recover transaction costs, such as legal and consultant fees directly related to the merger transaction. Because of the unique circumstances resulting from the merger, we approve Sunshine's request to establish deferral accounts for recording benefits that result from integration efforts and costs related to achieving the integration benefits directly related to the Merger. We defer consideration of the potential recovery of the amounts recorded in the accounts to a future proceeding. For the same reasons, it is too early to determine if the total amount and/or all types of the proposed costs and benefits that will be permissible for recovery.

The approval to establish the deferral accounts, for accounting purposes, does not limit our ability to review the amounts, recovery method, recovery period, and other related matters for reasonableness in a future proceeding in which the deferral accounts are included. An adversely affected party's point of entry to request an evidentiary hearing before us will be afforded in a future proceeding addressing cost recovery of the deferral accounts.

The deferral account costs and benefits shall be recorded and maintained in a detailed manner that will allow costs and benefits to be readily identifiable in a future proceeding. In addition, Sunshine shall be prepared to explain what actions and efforts it has undertaken to reduce or minimize these costs and to maximize any available benefits.

b) Conclusion

In conclusion, we approve of the Utility's request to establish deferral accounts for recording benefits that result from integration efforts and costs related to achieving the integration benefits directly related to the merger. The approval to establish the deferral accounts, for accounting purposes, does not limit our ability to review the amounts, recovery method, recovery period, and other related matters for reasonableness in a future proceeding in which the deferral accounts are included.

Sunshine shall be required to record and maintain the deferral accounts in a detailed manner that will allow costs and benefits to be readily identifiable in a future proceeding. In addition, Sunshine shall be prepared to explain what actions and efforts it has undertaken to reduce or minimize these costs and to maximize any available benefits.

K. Rate Case Expense Amortization (Issue 43)

a) Analysis

Section 367.081(8), F.S., requires that rates be reduced immediately following the expiration of the determined amortization period by the amount of the rate case expense previously included in rates. After weighing the evidence put forth in the record, we find that a four-year amortization period is appropriate. The reduction in revenues will result in the rate decrease as shown on Schedule Nos. 4-A and 4-B, attached herein, which will remove rate case expense grossed-up for RAFs of \$77,437 for water and \$72,007 for wastewater.

b) Conclusion

Sunshine's water and wastewater rates shall be reduced as shown on Schedule Nos. 4-A and 4-B, respectively. This is to remove rate case expense, grossed up for RAFs, which is being amortized over a four-year period and will result in a reduction of \$77,437 for water and \$72,007 for wastewater. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period pursuant to Section 367.081(8), F.S. Sunshine shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility shall also be required to file a proposed customer notice of the lower rates and the reason for the reduction. If Sunshine files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase, and the reduction in the rates due to the amortized rate case expense.

L. Commission Ordered Adjustments (Issue 44)

a) Analysis and Conclusion

The Utility shall be required to notify us, in writing that it has adjusted its books in accordance with any ordered adjustments. Sunshine shall 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. In the event that the Utility needs additional time to complete the adjustments, notice shall be provided within seven days prior to the deadline. Upon providing good cause, our staff shall be given administrative authority to grant an extension of up to 60 days.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Sunshine Water Services Company's Petition for Rate Increase is granted in part and denied in part as set forth herein. It is further

ORDERED that the quality of service for the Sanlando and Mid-County wastewater systems shall be deemed unsatisfactory. There shall be a 30 basis point reduction in the Utility's

Return on Equity. Sunshine Water Services Company shall file an annual report that details any DEP compliance issues for both the Sanlando and Mid-County wastewater systems. Sunshine Water Services Company shall file its first report one year after this Order is issued. Additionally, we find that the reporting requirements established for the Pasco-Summertree system in the last rate case shall be discontinued. It is further

ORDERED that all other findings made in the body of this Order are hereby approved in every respect. It is further

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated by reference. It is further

ORDERED that Sunshine Water Services Company shall file revised tariff sheets and proposed customer notices to reflect the Commission-approved rates and charges. The approved rates and charges shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates and charges shall not be implemented until our staff has approved the proposed customer notices and the notices have been received by the customers. Sunshine Water Services Company shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the water and wastewater rates approved herein shall be reduced as shown on Schedule Nos. 4-A and 4-B, respectively, to remove rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period and will result in a reduction of \$77,437 for water and \$72,007 for wastewater. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period pursuant to Section 367.081(8), F.S. Sunshine shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility shall also be required to file a proposed customer notice of the lower rates and the reason for the reduction. If Sunshine files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase, and the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that Sunshine Water Services Company shall be required to notify us, in writing, that it has adjusted its books in accordance with us ordered adjustments. The Utility shall submit a letter within 90 days of this order in this docket confirming that the adjustments to all applicable NARUC USOA accounts have been made to the Utility's books and records. In the event that the Utility needs additional time to complete the adjustments, notice shall be provided within seven days prior to the deadline. Upon providing good cause, our staff shall be given administrative authority to grant an extension of up to 60 days. It is further

ORDERED that this docket shall remain open for our staff's verification that Sunshine Water Services Company has filed the revised tariff sheets, customer notices have been filed, and that the Utility has notified us in writing that the adjustments set forth herein have been made. Once these actions are complete, this docket shall be closed administratively.

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By ORDER of the Florida Public Service Commission this 6th day of June, 2025.



ADAM J. 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.

RPS/SF

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 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.

Sunshine Water Services Company		Schedule No. 1-A				
Schedule of Water Rate Base		Docket No. 20240068-WS				
Test Year Ended 12/31/2023						
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year	
1 Plant in Service	\$154,450,166	\$21,500,216	\$175,950,382	\$2,246,605	\$178,196,987	
2 Land and Land Rights	345,317	(46,750)	298,567	(29,570)	268,997	
3 Non-used and Useful Components	0	0	0	0	0	
4 Construction Work in Progress	10,702,753	(10,702,753)	0	0		
5 Accumulated Depreciation	(72,724,166)	10,253,994	(62,470,172)	513,318	(61,956,854)	
6 CIAC	(64,533,345)	451,677	(64,081,668)	(193,877)	(64,275,545)	
7 Amortization of CIAC	32,293,395	(457,037)	31,836,358	184,078	32,020,436	
8 Acquisition Adjustments	1,292,816	(1,292,816)	0	0	0	
9 AA of Acquisition Adjustment	114,806	(114,806)	0	0	0	
10 Advances for Construction	(35,452)	0	(35,452)	0	(35,452)	
11 Working Capital Allowance	<u>0</u>	<u>1,746,652</u>	<u>1,746,652</u>	<u>(6,017)</u>	<u>1,740,635</u>	
12 Rate Base	<u>\$61,906,290</u>	<u>\$21,338,377</u>	<u>\$83,244,667</u>	<u>\$2,714,537</u>	<u>\$85,959,204</u>	

Sunshine Water Services Company Schedule of Wastewater Rate Base Test Year Ended 12/31/2023		Schedule No. 1-B Docket No. 20240068-WS				
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year	
1 Plant in Service	\$153,190,867	\$31,399,624	\$184,590,491	\$9,565,370	\$194,155,861	
2 Land and Land Rights	510,063	46,750	556,813	(27,486)	529,327	
3 Non-used and Useful Components	0	(140,657)	(140,657)	0	(140,657)	
4 Construction Work in Progress	14,693,009	(14,693,009)	0	0	0	
5 Accumulated Depreciation	(67,120,600)	(8,198,980)	(75,319,580)	331,687	(74,987,893)	
6 CIAC	(37,475,393)	240,934	(37,234,459)	20,166	(37,214,293)	
7 Amortization of CIAC	29,588,418	(3,085,974)	26,502,444	(29,277)	26,473,167	
8 Working Capital Allowance	<u>0</u>	<u>2,617,989</u>	<u>2,617,989</u>	<u>6,017</u>	<u>2,624,006</u>	
9 Rate Base	<u>\$93,386,364</u>	<u>\$8,186,677</u>	<u>\$101,573,041</u>	<u>\$9,866,477</u>	<u>\$111,439,518</u>	

Sunshine Water Services Company		Schedule No. 1-C	
Adjustments to Rate Base		Docket No. 20240068-WS	
Test Year Ended 12/31/2023			
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1	To reflect approved pro forma plant. (I-4)	(\$1,310,997)	\$1,600,372
2	To reflect updated pro forma retirements. (I-5)	(361,118)	(320,367)
3	To reflect annualization of test year plant additions. (I-3)	<u>3,918,720</u>	<u>8,285,365</u>
	Total	<u>\$2,246,605</u>	<u>\$9,565,370</u>
<u>Land</u>			
1	To reflect Audit Finding No. 7. (I-3)	<u>(\$29,570)</u>	<u>(\$27,486)</u>
	Total	<u>(\$29,570)</u>	<u>(\$27,486)</u>
<u>Non-used and Useful</u>			
	To reflect net non-used and useful adjustment	<u>\$0</u>	<u>\$0</u>
<u>Accumulated Depreciation</u>			
1	Correction for Net Salvage Value. (I-3)	\$35,830	\$37,410
2	To reflect approved pro forma plant. (I-4)	116,370	(42,319)
3	To reflect updated pro forma retirements. (I-5)	361,118	320,367
4	To reflect Audit Finding No. 6. (I-13)	<u>0</u>	<u>16,229</u>
	Total	<u>\$513,318</u>	<u>\$331,687</u>
<u>CIAC</u>			
1	To reflect Audit Finding No. 4. (I-14)	(\$10,050)	(\$9,345)
2	To reflect updated pro forma retirements. (I-5)	<u>(183,827)</u>	<u>29,511</u>
	Total	<u>(\$193,877)</u>	<u>\$20,166</u>
a	<u>Accumulated Amortization of CIAC</u>		
1	To reflect Audit Finding No. 4. (I-15)	\$251	\$234
2	To reflect updated pro forma retirements. (I-5)	<u>183,827</u>	<u>(29,511)</u>
	Total	<u>\$184,078</u>	<u>(\$29,277)</u>
<u>Working Capital</u>			
1	To reflect Audit Finding No. 3 modified via Rebuttal. (I-16)	<u>(\$6,017)</u>	<u>\$6,017</u>
	Total	<u>(\$6,017)</u>	<u>\$6,017</u>

Sunshine Water Services Company Capital Structure Test Year Ended 12/31/2023						Schedule No. 2 Docket No. 20240068-WS		
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$321,846,154	\$0	\$321,846,154	(\$254,367,902)	\$67,478,252	36.51%	4.92%	1.80%
2 Long-Term Debt – Variable	70,192,308	0	70,192,308	(55,467,254)	14,725,054	7.97%	7.51%	0.60%
3 Short-term Debt	19,076,923	0	19,076,923	(15,083,100)	3,993,823	2.16%	8.25%	0.18%
4 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
5 Common Equity	417,085,969	0	417,085,969	(329,638,600)	87,447,369	47.32%	10.36% ⁴⁵	4.90%
6 Customer Deposits	319,453	0	319,453	0	319,453	0.17%	2.00%	0.00%
7 Accumulated Deferred ITC's	61,653	0	61,653	0	61,653	0.03%	0.00%	0.00%
8 Deferred Income Taxes	5,833,302	(10,469)	5,822,833	0	5,822,833	3.15%	0.00%	0.00%
9 Other Deferred Tax Liability - TCJA	<u>4,969,273</u>	<u>0</u>	<u>4,969,273</u>	<u>0</u>	<u>4,969,273</u>	<u>2.69%</u>	0.00%	<u>0.00%</u>
10 Total Capital	<u>\$839,385,035</u>	<u>(\$10,469)</u>	<u>\$839,374,566</u>	<u>(\$654,556,856)</u>	<u>\$184,817,710</u>	<u>100.00%</u>		<u>7.478%</u>
Per Commission								
11 Long-term Debt	\$321,846,154	\$0	\$321,846,154	(\$246,158,133)	\$75,688,021	38.34%	4.92%	1.89%
12 Long-Term Debt – Variable	70,192,308	0	70,192,308	(53,685,301)	16,507,007	8.36%	7.51%	0.63%
13 Short-term Debt	19,076,923	0	19,076,923	(14,590,635)	4,486,288	2.27%	8.25%	0.19%
14 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
15 Common Equity	417,085,969	0	417,085,969	(319,000,560)	98,085,409	49.69%	10.05%	4.99%
16 Customer Deposits	319,453	0	319,453	(244,328)	75,125	0.04%	2.00%	0.00%
17 Accumulated Deferred ITC's	61,653	0	61,653	(47,154)	14,499	0.01%	0.00%	0.00%
18 Deferred Income Taxes	5,833,302	8,290	5,841,592	(4,467,835)	1,373,757	0.70%	0.00%	0.00%
19 Other Deferred Tax Liability - TCJA	<u>4,969,273</u>	<u>0</u>	<u>4,969,273</u>	<u>(3,800,657)</u>	<u>1,168,616</u>	<u>0.59%</u>	0.00%	<u>0.00%</u>
20 Total Capital	<u>\$839,385,035</u>	<u>\$8,290</u>	<u>\$839,393,325</u>	<u>(\$641,994,603)</u>	<u>\$197,398,722</u>	<u>100.00%</u>		<u>7.70%</u>
						LOW	HIGH	
RETURN ON EQUITY						<u>9.05%</u>	<u>11.05%</u>	
OVERALL RATE OF RETURN						<u>7.20%</u>	<u>8.19%</u>	

⁴⁵The ROE reflected in Schedule 2 is the Utility's initial request, not the stipulated ROE reflected in Issue 22.

Sunshine Water Services Company Statement of Water Operations Test Year Ended 12/31/2023						Schedule No. 3-A Docket No. 20240068-WS	
Description	Test Year Per Utility	Utility Test Year Adj	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$22,532,175</u>	<u>\$5,563,719</u>	<u>\$28,095,894</u>	<u>(\$5,177,609)</u>	<u>\$22,918,285</u>	<u>\$4,532,641</u> 19.8%	<u>\$27,450,926</u>
Operating Expenses							
2 O&M	\$12,536,020	\$743,783	\$13,279,803	(754,284)	12,524,979		12,524,979
3 Depreciation	2,572,862	1,908,761	\$4,481,623	(161,558)	4,320,065		4,320,065
4 Amortization	0	46,750	\$46,750	0	46,750		46,750
5 TOTI	1,934,995	573,609	\$2,508,604	(226,575)	2,282,029	203,969	2,485,998
6 Income Taxes	<u>1,112,778</u>	<u>441,521</u>	<u>\$1,554,299</u>	<u>(1,194,091)</u>	<u>360,208</u>	<u>1,097,102</u>	<u>1,457,310</u>
7 Total Operating Expense	<u>18,156,655</u>	<u>3,714,424</u>	<u>21,871,079</u>	<u>(2,337,047)</u>	<u>19,534,032</u>	<u>1,301,071</u>	<u>20,835,102</u>
8 Operating Income	<u>\$4,375,520</u>	<u>\$1,849,295</u>	<u>\$6,224,815</u>	<u>(\$2,840,562)</u>	<u>\$3,384,253</u>	<u>\$3,231,570</u>	<u>\$6,615,824</u>
9 Rate Base	<u>\$61,906,290</u>	<u>\$21,338,377</u>	<u>\$83,244,667</u>		<u>\$85,959,207</u>		<u>\$85,959,204</u>
10 Rate of Return	<u>7.07%</u>		<u>7.48%</u>		<u>3.94%</u>		<u>7.70%</u>

Sunshine Water Services Company Statement of Wastewater Operations Test Year Ended 12/31/2023						Schedule No. 3-B Docket No. 20240068-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$28,276,590</u>	<u>\$6,043,860</u>	<u>\$34,320,450</u>	<u>(\$4,703,419)</u>	<u>\$29,617,031</u>	<u>\$4,703,419</u> 15.9%	<u>\$34,320,450</u>
Operating Expenses							
2 O&M	\$14,655,194	\$970,541	\$15,625,735	(\$853,779)	\$14,771,956		\$14,771,956
3 Depreciation (Net)	5,374,706	874,090	6,248,796	(12,020)	6,236,776		6,236,776
4 Amortization	0	223,805	223,805	0	223,805		223,805
5 TOTI	2,218,669	511,247	2,729,916	(193,229)	2,536,687	211,654	2,748,341
6 Income Taxes	<u>1,034,613</u>	<u>861,953</u>	<u>1,896,566</u>	<u>(1,177,807)</u>	<u>718,759</u>	<u>1,138,438</u>	<u>1,857,197</u>
7 Total Operating Expense	<u>23,283,182</u>	<u>3,441,636</u>	<u>26,724,818</u>	<u>(2,236,834)</u>	<u>24,487,984</u>	<u>1,350,092</u>	<u>25,838,075</u>
8 Operating Income	<u>\$4,993,408</u>	<u>\$2,602,224</u>	<u>\$7,595,632</u>	<u>(\$2,466,585)</u>	<u>\$5,129,047</u>	<u>\$3,353,327</u>	<u>\$8,482,375</u>
9 Rate Base	<u>\$93,386,364</u>	<u>\$8,186,677</u>	<u>\$101,573,041</u>		<u>\$111,439,518</u>		<u>\$111,439,518</u>
10 Rate of Return	<u>5.35%</u>		<u>7.48%</u>		<u>4.60%</u>		<u>7.61%</u>

Sunshine Water Services Company		Schedule 3-C	
Adjustment to Operating Income		Docket No. 20240068-WS	
Test Year Ended 12/31/2023			
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 To remove requested final revenue increase.	(\$5,175,376)	(\$4,701,373)	
2 To reflect the appropriate annualized service revenues.	0	32	
3 To reflect the appropriate annualized miscellaneous revenues.	7,817	7,268	
4 To reflect Audit Finding No. 4.	<u>(10,050)</u>	<u>(9,345)</u>	
Total	<u>(\$5,177,609)</u>	<u>(\$4,703,419)</u>	
<u>Operation and Maintenance Expense</u>			
1 To reflect Audit Finding No. 9 modified via Rebuttal. (I-28)	\$43,442	\$42,383	
2 To remove expense associated with DEP penalty. (I-28)	(165,188)	(153,584)	
3 To remove charitable contributions. (I-28)	(10,490)	(9,754)	
4 To remove expenses associated Wekiva WWTP litigation. (I-28)	0	(347,991)	
5 To reflect disallowances in management fees. (I-27)	(33,768)	(31,393)	
6 To remove payment processing expense. (I-26)	(200,501)	(186,418)	
7 To remove Chamber of Commerce dues. (I-28)	(7,612)	(7,077)	
8 To remove sewer maintenance expense. (I-28)	0	(29,879)	
9 To reflect Pro Forma Capitalized Labor. (I-26)	14,014	(17,106)	
10 To reflect O&M associated with Pro Forma meter replacements. (I-26)	(280,662)	0	
11 To reflect updated rate case expense. (I-25)	(13,622)	(12,667)	
13 To remove expiring RCE amortization. (I-28)	(96,267)	(89,504)	
14 To reflect appropriate repression adjustment. (I-26)	<u>7,467</u>	<u>0</u>	
15 To remove half of DOL Liability Insurance expense. (I-28)	<u>(11,637)</u>	<u>(10,790)</u>	
Total	<u>(\$754,824)</u>	<u>(\$853,779)</u>	
<u>Depreciation Expense - Net</u>			
1 To reflect net salvage value. (I-30)	(\$35,830)	(\$37,410)	
2 To reflect approved pro forma plant. (I-4)	(116,370)	42,319	
3 To reflect Audit Finding No. 4. (I-31)	(251)	(234)	
4 To reflect Audit Finding No. 6. (I-30)	0	(7,048)	
5 To reflect updated pro forma retirements - depreciation expense. (I-5)	(14,496)	(10,613)	
6 To reflect updated pro forma retirements - CIAC amortization. (I-5)	<u>5,390</u>	<u>966</u>	
Total	<u>(\$161,558)</u>	<u>(\$12,020)</u>	
<u>Taxes Other Than Income (I-29)</u>			
1 RAFs on revenue adjustments above.	(\$232,992)	(\$211,654)	
2 To reflect Pro Forma Capitalized Labor.	1,072	(1,309)	
3 To remove property tax expense on non-U&U adjustment above.	0	(1,273)	
4 To reflect Pro Forma Plant Additions.	18,567	21,007	
5 To remove payroll tax corresponding to meter replacements.	<u>(13,221)</u>	<u>0</u>	
Total	<u>(\$226,575)</u>	<u>(\$193,229)</u>	

SUNSHINE WATER SERVICES COMPANY			SCHEDULE NO. 4-A	
TEST YEAR ENDED DECEMBER 31, 2023			DOCKET NO. 20240068-WS	
MONTHLY WATER RATES				
	UTILITY CURRENT RATES	UTILITY PROPOSED RATES	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>				
Base Facility Charge by Meter Size				
5/8" X 3/4"	\$13.57	\$16.63	\$16.61	\$0.05
3/4"	\$20.36	\$24.80	\$24.92	\$0.07
1"	\$33.93	\$41.59	\$41.53	\$0.12
1-1/2"	\$67.85	\$83.17	\$83.05	\$0.23
2"	\$108.56	\$133.06	\$132.88	\$0.37
3"	\$217.12	\$266.14	\$265.76	\$0.74
4"	\$339.25	\$415.84	\$415.25	\$1.16
6"	\$678.50	\$831.67	\$830.50	\$2.33
8"	\$1,085.60	\$1,330.68	\$1,328.80	\$3.72
10"	\$1,967.65	\$2,411.84	\$2,408.45	\$6.74
Charge per 1,000 gallons - Residential				
0 - 4,000 gallons	\$1.90	\$2.33	\$2.34	\$0.01
4,001 - 12,000 gallons	\$2.84	\$3.49	\$3.50	\$0.01
Over 12,000 gallons	\$4.76	\$5.84	\$5.84	\$0.02
Charge per 1,000 gallons - General Service				
	\$3.23	\$3.96	\$3.95	\$0.01
<u>Private Fire Protection</u>				
1-1/2"	\$67.85	\$83.17	\$83.05	\$0.23
2"	\$108.56	\$133.06	\$132.88	\$0.37
3"	\$217.12	\$266.14	\$265.76	\$0.74
4"	\$339.25	\$415.84	\$415.25	\$1.16
6"	\$678.50	\$831.67	\$830.50	\$2.33
8"	\$1,085.60	\$1,330.68	\$1,328.80	\$3.72
10"	\$1,967.65	\$2,411.84	\$2,408.45	\$6.74
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
4,000 Gallons	\$21.17	\$25.95	\$25.97	
12,000 Gallons	\$43.89	\$53.87	\$53.97	
15,000 Gallons	\$58.17	\$71.39	\$71.49	

SUNSHINE WATER SERVICES COMPANY				Schedule No. 4-B	
TEST YEAR ENDED 12/31/23				Docket No. 20240068-WS	
MONTHLY WASTEWATER RATES					
	UTILITY'S EXISTING RATES	UTILITY'S PROPOSED RATES	COMMISSION APPROVED RATES	FOUR YEAR RATE REDUCTION	
Residential Service (RS1)					
All Meter Sizes	\$34.99	\$40.59	\$40.59	\$0.10	
Charge per 1,000 gallons 8,000 Gallon Cap	\$5.59	\$6.48	\$6.48	\$0.02	
Residential Service (RS2)					
All Meter Sizes	\$70.01	\$81.22	\$81.22	\$0.20	
Charge per 1,000 gallons 16,000 Gallon Cap	\$5.59	\$6.48	\$6.48	\$0.02	
Flat Rate (RS3)	\$62.95	\$73.03	\$73.19	\$0.18	
Flat Rate (RS4)	\$125.91	\$146.07	\$146.07	\$0.37	
Residential Reuse Service (RRS1)					
All Meter Sizes	\$10.21	\$11.84	\$11.84	\$0.03	
Charge per 1,000 gallons	\$1.92	\$2.23	\$2.23	\$0.01	
General Service (GS1)					
Base Facility Charge by Meter Size					
5/8"X3/4"	\$34.99	\$40.59	\$40.59	\$0.10	
3/4"	\$52.49	\$60.89	\$60.89	\$0.15	
1"	\$87.48	\$101.48	\$101.48	\$0.25	
1-1/2"	\$174.95	\$202.95	\$202.95	\$0.51	
2"	\$279.92	\$324.72	\$324.72	\$0.81	
3"	\$559.84	\$649.44	\$649.44	\$1.62	
4"	\$874.75	\$1,014.75	\$1,014.75	\$2.54	
6"	\$1,749.50	\$2,029.50	\$2,029.50	\$5.07	
8"	\$2,799.20	\$3,247.20	\$3,247.20	\$8.12	
10"	\$5,073.55	\$5,885.55	\$5,885.55	\$14.71	
General Service (GS2)					
Base Facility Charge by Meter Size					
5/8"X3/4"	\$70.00	\$81.21	\$81.38	\$0.20	
3/4"	\$105.00	\$121.82	\$122.07	\$0.31	
1"	\$175.00	\$203.03	\$203.45	\$0.51	
1-1/2"	\$350.00	\$406.05	\$406.90	\$1.02	
2"	\$560.00	\$649.68	\$651.04	\$1.63	
3"	\$1,120.00	\$1,299.36	\$1,302.08	\$3.26	
4"	\$1,750.00	\$2,030.25	\$2,034.50	\$5.09	
6"	\$3,500.00	\$4,060.50	\$4,069.00	\$10.17	
8"	\$5,600.00	\$6,496.80	\$6,510.40	\$16.28	
10"	\$10,150.00	\$11,775.45	\$11,800.10	\$29.50	
Charge per 1,000 gallons - General Service	\$6.70	\$7.77	\$7.79	\$0.02	
Flat Rate (GS3)	\$62.95	\$73.03	\$73.19	\$0.18	
Flat Rate (GS4) (905 ERCs)	\$56,969.75	\$66,092.15	\$66,236.95	\$165.59	
General Reuse Service	\$0.00	\$0.00	\$0.00	\$0.00	
Bulk Service (BS1)					
All Meter Sizes (58 ERCs)	\$2,029.42	\$2,354.22	\$2,354.22	\$5.89	
Charge per 1,000 gallons	\$5.59	\$6.48	\$6.48	\$0.02	
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	\$57.35	\$66.51	\$66.51		
8,000 Gallons	\$79.71	\$92.43	\$92.43		
15,000 Gallons	\$79.71	\$92.43	\$92.43		