

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In re: DOCKET NO. 20250052-WS

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

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PROCEEDINGS: HEARING

COMMISSIONERS

PARTICIPATING: CHAIRMAN GABRIELLA PASSIDOMO SMITH  
COMMISSIONER GARY F. CLARK  
COMMISSIONER MIKE LA ROSA  
COMMISSIONER BOBBY PAYNE  
COMMISSIONER ANA ORTEGA

DATE: Monday, June 8, 2026

TIME: Commenced: 9:30 a.m.  
Concluded: 3:00 p.m.

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK  
Court Reporter and  
Notary Public in and for  
the State of Florida at Large

PREMIER REPORTING  
TALLAHASSEE, FLORIDA  
(850) 894-0828

1 APPEARANCES:

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4 DAVID WOODSMALL, 1630 Des Peres Road, Suite 140  
5 Des Peres, Missouri 63131; appearing on behalf of  
6 CSWR-Florida (CSWR).

7 WALT TRIERWEILER, PUBLIC COUNSEL; AUSTIN  
8 WATROUS and OCTAVIO PONCE, ESQUIRES, OFFICE OF PUBLIC  
9 COUNSEL, c/o The Florida Legislature, 111 West Madison  
10 Street, Room 812, Tallahassee, FL 32399-1400, appearing  
11 on behalf of the Citizens of the State of Florida (OPC).

12 ZACHARY BLOOM and JENNIFER CRAWFORD,  
13 ESQUIRES, FPSC General Counsel's Office, 2540 Shumard  
14 Oak Boulevard, Tallahassee, FL 32399-0850, appearing on  
15 behalf of the Florida Public Service Commission (Staff).

16 ADRIA HARPER, GENERAL COUNSEL; MARY ANNE  
17 HELTON, DEPUTY GENERAL COUNSEL, Florida Public Service  
18 Commission, 2540 Shumard Oak Boulevard, Tallahassee,  
19 Florida 32399-0850, Advisor to the Florida Public  
20 Service Commission.

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1 P R O C E E D I N G S

2 CHAIRMAN SMITH: All right. Good morning.  
3 Today is June 8th, 2026. It is 9:30 a.m. This  
4 hearing is called to order.

5 Staff, will you please read the notice?  
6 Broom.

7 MR. BLOOM: By notice published on May 5th,  
8 2026, this time and place has been set for a hearing  
9 in Docket No. 20250052-WS. Application for increase  
10 in water and wastewater rates in Brevard, Citrus,  
11 Duval, Highlands, Marion and Volusia Counties by  
12 CSWR-Florida Utility Operating Company.

13 The purpose of the hearing is to take  
14 testimony and evidence with respect to  
15 CSWR-Florida's petition for an increase in base  
16 rates and for consultation -- or consolidation of  
17 the utility's water and wastewater systems.

18 CHAIRMAN SMITH: Thank you.

19 Let's move to appearances. We will start with  
20 CSWR.

21 MR. CRABB: Tom Crabb and Dave Woodsmall for  
22 CSWR-Florida.

23 MR. WATROUS: And Austin Watrous on behalf of  
24 the Office of Public Counsel. And I would also  
25 like to enter an appearance for Walt Trierweiler,

1 the Public Counsel and Octavio Ponce.

2 MR. BLOOM: Zachary Bloom and Jennifer  
3 Crawford on behalf of Commission staff.

4 MS. HELTON: And Mary Anne Helton is here as  
5 your Advisor, along with your General Counsel,  
6 Adria Harper.

7 CHAIRMAN SMITH: Thank you.

8 Staff, are there any preliminary matters we  
9 need to address before we get to exhibits?

10 MR. BLOOM: Yes, just a few housekeeping  
11 matters.

12 The parties stipulated to the prefiled  
13 testimony and exhibits of staff witness Plescow.  
14 Staff has conferred with each Commissioner's office  
15 and confirmed that they have no questions for this  
16 witness and that he may be excused from the  
17 hearing. Staff recommends that this prefiled  
18 testimony and exhibits be entered into the record  
19 in order of his appearance per the Prehearing  
20 Order.

21 Staff notes that the direct and rebuttal  
22 testimonies for CSWR witness's Freeman, Thomas and  
23 Silas will be taken up together during the hearing.  
24 Also, pursuant to the Prehearing Officer's ruling,  
25 CSWR witness Thies' supplement will be taken up

1           together with his rebuttal filed by witness -- by  
2           the witness on April 17th.

3           Finally, the parties are proposing Type 1 and  
4           Type 2 stipulations with respect so certain issues.  
5           The proposed stipulations have been filed in the  
6           docket file, and copies have been provided to the  
7           parties, Commissioners and court reporter. Staff  
8           suggests that the proposed stipulations be taken up  
9           after the parties have made there opening  
10          statements.

11          CHAIRMAN SMITH: Okay. Parties, are there any  
12          preliminary matters?

13          Seeing none, let's move on to the record,  
14          starting with exhibits.

15          MR. BLOOM: Staff has compiled a Comprehensive  
16          Exhibit List, or CEL, with prenumbered Exhibits 1  
17          through 176. Item 1 on the CEL is the CEL itself.  
18          The MFRs are labeled Nos. 2 through 73. Exhibits  
19          collected from service hearings are Nos. 74 through  
20          77. Exhibits attached to the witness testimony are  
21          Nos. 78 through 129. Staff's hearing exhibits are  
22          Nos. 130 through 166, and the parties'  
23          cross-examination exhibits are Nos. 167 through  
24          176.

25          The list has been provided to the parties, the

1 Commissioners and the court reporter. Staff  
2 requests that the CEL be marked for identification  
3 purposes as Exhibit No. 1, and that the other  
4 exhibits listed on the CEL be marked for  
5 identification as set forth in the CEL.

6 CHAIRMAN SMITH: So marked.

7 (Whereupon, Exhibit Nos. 1-176 were marked for  
8 identification.)

9 MR. BLOOM: At t his time, staff asks that the  
10 CEL marked as Exhibit No. 1 be entered into the  
11 record.

12 CHAIRMAN SMITH: Any objections? All right.  
13 Hearing none, Exhibit 1 is entered into the record.

14 (Whereupon, Exhibit No. 1 was received into  
15 evidence.)

16 MR. BLOOM: The prefiled exhibits attached to  
17 each witness's testimony will be moved at the  
18 conclusion of each witness's cross-examination.  
19 Having received agreement by the parties, staff  
20 asks that Exhibits No. 2 through 77, 130 through  
21 166, 168, 171 and 174 be moved into the record.

22 CHAIRMAN SMITH: Have all the parties had an  
23 opportunity to review the Comprehensive Exhibit  
24 List? Yes.

25 Any objections to those exhibits being moved

1           into the record?

2           All right. Hearing none, Exhibits Nos. 2  
3           through 77, 130 through 166, 168, 171 and 174 are  
4           entered into the record.

5           (Whereupon, Exhibit Nos. 2-77, 130-166, 168,  
6           171 & 174 were received into evidence.)

7           CHAIRMAN SMITH: All right. We will now take  
8           opening statements. Any party may, of course,  
9           waive their opening statements; otherwise, please  
10          try to keep your opening statement limited to 10  
11          minutes, starting with Mr. Crabb, for CSWR.

12          MR. CRABB: Thank you, Your Honor. Good  
13          morning, Commissioners. David Woodsmall appearing  
14          as qualified representative for CSWR-Florida.

15          Looking at the issue list, you may be under  
16          the impression that this is a typical rate case. I  
17          hope that by the time I have finished this  
18          statement, I will have dissuaded you from this  
19          notion. This case is about so much more than  
20          rates.

21          Given that this is CSWR-Florida's first rate  
22          case, and recognizing the nature of the  
23          CSWR-Florida business model, this case is about how  
24          you respond to companies that are willing to accept  
25          such a risky business model. Frankly, the water

1 industry is watching.

2 You will get the opportunity to talk to Josiah  
3 Cox as our first witness. Mr. Cox founded this  
4 company and can discuss both the Florida and the  
5 nationwide water industry infrastructure problem  
6 that led him to start CSWR.

7 Briefly, CSWR was formed to acquire distressed  
8 water and wastewater systems, devote professional  
9 operations to those systems, and invest the  
10 necessary capital to ensure that those systems can  
11 meet modern environmental permit requirements, all  
12 while adopting the previous owner's rates.

13 Clearly, is given 20/20 hindsight, Mr. Cox's  
14 assessment of the industry was spot on. In 10  
15 short years, CSWR has acquired over a thousand  
16 troubled water and wastewater systems in 11  
17 different states. Among the states in which CSWR  
18 focused was Florida.

19 CSWR-Florida was formed in 2021, and as of the  
20 end of the test year, the company had made 11  
21 separate acquisitions involving 38 separate  
22 systems, serving approximately 12,600 water  
23 customers and 7,500 wastewater connections.

24 Mr. Cox's testimony generally discusses the  
25 problem that CSWR found with these systems,

1 including a multitude of nonfunctioning assets  
2 brought about from deferred maintenance,  
3 maintenance that never got done by the previous  
4 owners. Not surprisingly then, most of these  
5 systems were incapable of meeting modern compliance  
6 requirements.

7 In their testimony, Mr. Freeman and Thomas  
8 provide even greater detail these system problems.  
9 Not only were the systems bad from a functional  
10 operational condition, they were also horrible from  
11 a financial standpoint.

12 As I mentioned, when it acquired these  
13 systems, CSWR adopted the rates that were then in  
14 effect. In most cases, these systems had gone  
15 decades without a rate increase. In fact, Sebring  
16 Ridge had gone over 30 years without a rate  
17 increase. You can imagine, then, after CSWR turned  
18 on the electricity, began fixing pumps and blowers  
19 and installing disinfection systems, the rates were  
20 far from covering CSWR's actual capital and  
21 operational costs.

22 Ultimately, over the past four years, as CSWR  
23 began to bring these the systems into compliance  
24 and it worked to achieve some measure of economies  
25 of scale, the company incurred more than \$5 million

1 in operating losses. After four years and \$5  
2 million of operating losses, it was time for CSWR  
3 to file a rate case in Florida.

4 Mr. Thies' discusses the company's revenue  
5 requirement calculation. Much of these  
6 calculations and the issues involved are  
7 reminiscent of other rate cases, but there are  
8 three issues in particular through which you will  
9 send a clear signal as to your receptiveness to  
10 utilities taking on the risk of acquiring and  
11 fixing Florida's distressed water systems.

12 First, as I mentioned, the company incurred  
13 huge operating losses during the time that it  
14 improved these systems, all while charging outdated  
15 customer rates. OPC asked the Commission to  
16 utilize these past net operating losses as a  
17 deduction to lower the amount of income taxes and  
18 rates. Rather than calculate income taxes  
19 consistent with the way they are calculated for all  
20 other utilities, OPC postulates that because of  
21 these past net operating losses, the company will  
22 have to pay a minimum amount of income taxes;  
23 therefore, OPC asks you to appropriate these net  
24 operating losses for the benefit of customers.

25 As Mr. Thies points out, however, the



1 customers did not shoulder the burden of the paces  
2 net operating losses; rather, the company was  
3 incurring these losses while improving utility  
4 service and charging a below cost adoptive rate.

5 So ratepayers have already benefited from low  
6 rates while getting improved service. Since the  
7 customers have already benefited, the shareholders  
8 should be the one to benefit from net operating  
9 losses. The company encountered a similar  
10 adjustment in Missouri, which was rejected by that  
11 commission.

12 Bottom line, what message does it send to  
13 potential water companies looking to invest in  
14 troubled systems in Florida if they have to  
15 shoulder these past net operating losses and then  
16 give up the tax benefit to customers? Frankly,  
17 that is a huge deterrent to any acquisitions in the  
18 future. Again, the water industry is watching.

19 Second, a mere eight days prior to the hearing  
20 in this case, staff filed revised Audit Finding 3  
21 that disallowed 98 percent of the company's land  
22 and land rights rate base. While staff did not  
23 provide any testimony to explain its disallowance,  
24 it seemingly just adopted the land and land values  
25 as specified in each of the Commission's

1           acquisition dockets. Let's put aside questions  
2           about why staff didn't do this earlier in this case  
3           and focus solely on the substance.

4                   Staff's calculation is directly contrary to  
5           the Uniform System of Accounts. Apparently staff  
6           believes that there is no basis for the balance in  
7           land and land values account to increase. As  
8           Mr. Thies explains, however, the USOA allows for  
9           continued recording of costs as the company  
10          conducts surveys and acquires other necessary land  
11          rights, including easements.

12                   Given that the USOA allows for the continued  
13          recording of costs, CSWR asserts that the staff's  
14          adjustment is misplaced. In fact, as Mr. Thies  
15          points out, the public advocate took a similar  
16          approach in Tennessee. There, the Commission  
17          reviewed each of the specific costs that was  
18          recorded by the company, found them all to be  
19          necessary and prudent, and rejected the public  
20          advocate's recommendation.

21                   Again, what signal does it send to companies  
22          considering the acquisition of troubled systems in  
23          Florida if you disallow 98 percent of the company's  
24          land and land values in rate base? The water  
25          industry is watching.

1           The third issue through which your decision  
2           signals your receptiveness to such companies  
3           involves certain standard water ratemaking  
4           adjustments in Florida. For instance, Issues 7  
5           through 13 involve the impact of excessive  
6           unaccounted for water, or the utilization of  
7           certain used and useful percentages.

8           The company understands the rationale for such  
9           adjustments when that company constructs, maintains  
10          and operates such a system. Consider however, the  
11          rationale for such an adjustment when a company  
12          such as CSWR acquires a distressed system.

13          In this case, is it fair to disallow  
14          electricity and chemical costs due to excessive  
15          unaccounted for water when CSWR purchased a  
16          distressed system with massive main leaks? Is it  
17          fair to disallow rate base determined to be not  
18          used and useful when CSWR didn't construct the  
19          system in the first place? And what is the message  
20          to an acquiring system when you tell them that  
21          while you appreciate their efforts to fix these  
22          systems, you are immediately going to disallow rate  
23          base and operating expenses for problems that are  
24          attributable to prior owners. As I say, the water  
25          industry is watching.

1           There are other issues that will get attention  
2           in this case. Company witness Duncan will talk  
3           about the critical role that system consolidation  
4           has in this case. Companies like CSWR, that  
5           acquire distressed systems, cannot reach the  
6           necessary economies of scale without consolidation.  
7           And without these economies of scale, the company  
8           has no ability to mitigate the rate increases and  
9           to ensure affordability.

10           As Mr. Duncan will tell you, the National  
11           Regulatory Research Institute has recognized the  
12           inn inherent link between consolidation and the  
13           acquisition of distressed systems. Moreover, in  
14           each of the company's rates cases in other states,  
15           state commissions have recognized the value of  
16           consolidation.

17           Finally in his rebuttal testimony, Mr. Cox  
18           will talk about the critical role of acquisition  
19           adjustments. Frankly, prior owners will not sell  
20           for net book value. If you want these companies to  
21           be acquired, if you want these bad actors out of  
22           business, it takes an acquisition adjustment, and  
23           companies won't acquire these systems if they have  
24           to absorb the acquisition adjustments. Again, the  
25           world is watching to see how you address these

1 questions.

2 The company has faced a litany of consumer  
3 advocates in other states that proposed these and  
4 other punitive adjustments. Honestly, after  
5 sitting by and letting these systems disintegrate  
6 for 30 years, and ignoring customers that have  
7 received water services that violate modern  
8 environmental standards, it is apparent that these  
9 consumer advocates are only interested in rates and  
10 not in service. The standard ratemaking paradigm,  
11 however, does not focus solely on rates it calls  
12 for safe and adequate service at just and  
13 reasonable rates.

14 The company is hoping that while OPC may  
15 ignore the safe and adequate service part of the  
16 equation, the Commission will recognize these  
17 customers deserve such service, and that such  
18 service costs money and necessitates rate  
19 increases. Again, the world is watching. The  
20 thousands of Floridians currently receiving  
21 inadequate water service are watching.

22 Thank you, Commissioners.

23 CHAIRMAN SMITH: Thank you.

24 I will turn to Mr. Watrous, OPC.

25 MR. WATROUS: Thank you, Madam Chair, and good

1 morning, Commissioners.

2 The burden of proof in a Commission proceeding  
3 rests squarely on the utility seeking a rate  
4 increase. CSWR bears the responsibility of  
5 demonstrating that the costs for which it seeks  
6 recovery are reasonable, prudent and in the public  
7 interest. The Commission may approve only those  
8 rates that are fair, just, reasonable and not  
9 unduly discriminatory.

10 At its core, this proceeding reveals a  
11 troubling disconnect between CSWR's aggressive  
12 growth strategy and its obligation to provide safe,  
13 reliable and affordable services. The company has  
14 pursued rapid expansion through the acquisition of  
15 numerous small systems while seeking to transfer  
16 the financial consequences of those acquisitions to  
17 existing customers. Yet, despite repeatedly  
18 characterizing acquired systems as distressed and  
19 in need of significant investment, CSWR has  
20 proposed no proforma plant additions in this case.

21 The absence of proforma projects is  
22 particularly striking. If these systems truly  
23 require substantial rehabilitation, one would  
24 expect a corresponding proposal to address those  
25 deficiencies through measurable infrastructure

1 improvements. Instead, CSWR seeks increased  
2 revenues without identifying meaningful projects  
3 that would directly improve service for customers.

4 The Commission should carefully consider  
5 whether the requested rate increases are being  
6 driven by genuine utility needs or by the company's  
7 broader acquisition strategy.

8 Equally concerning is the fact that CSWR has  
9 no full-time employees of its own responsible for  
10 operating its Florida utility systems; rather, the  
11 company relies upon contractual arrangements to  
12 conduct its operations. While such arrangements  
13 are not inherently improper, customers have  
14 reported concerns regarding service, quality,  
15 responsiveness, billing issues and operational  
16 performance. These complaints are not merely  
17 anecdotal. They provide valuable insight into the  
18 customer experience, and raise legitimate questions  
19 about whether the company's requested revenue  
20 increase is justified by its corresponding  
21 improvements in service.

22 But Florida law requires more than good  
23 intentions. It requires proof. Before cost are  
24 shifted to customers, the utility must demonstrate  
25 that these costs are reasonable, prudent and

1 supported by competent and substantial evidence.  
2 The evidence presented in this case demonstrates  
3 that several components of CSWR's request fail to  
4 meet that standard.

5 The testimony of OPC witness Ralph Smith  
6 provides the Commission with a careful and measured  
7 analysis of these deficiencies. His  
8 recommendations are not designed to deprive the  
9 company of a fair opportunity to recover legitimate  
10 costs. In fact, Mr. Smith agrees that the utility  
11 does require an increase in their rates, but not in  
12 the amount the company has requested.

13 One of the most significant issues before the  
14 Commission concerns the treatment of net operating  
15 loss carry-forwards. Net operating losses, or  
16 NOLs, represent a value tax asset. NOLs occur when  
17 a utility's taxable income is negative or when tax  
18 deductions exceed taxable revenue. CSWR-Florida  
19 has reported losses for both book and accounting  
20 and income tax purposes since inception.  
21 CSWR-Florida's parents company, CSWR, LLC, also  
22 does not reflect profits.

23 This commission has historically stated that  
24 customers do not benefit from tax losses and,  
25 therefore, the amount of income tax ratepayers are



1 asked to pay should be adjusted appropriately.

2 Mr. Smith's testimony demonstrates that  
3 recognition of these net operating loss benefits is  
4 necessary to accurately calculate the revenue  
5 requirement in this case. To ignore these benefits  
6 would overstate the company's revenue needs and  
7 requires -- and require customers to pay more than  
8 necessary.

9 OPC, therefore, urges the Commission to adopt  
10 Mr. Smith's recommended treatment of net operating  
11 losses and ensure that customers receive the  
12 benefit of those tax attributes through lower  
13 rates.

14 OPC is also asking the Commission to address  
15 the issue of lobbying expenses. The principle  
16 involved is straightforward. Lobbying activities  
17 are undertaken to influence legislation, regulation  
18 or governmental policy. Such activities are  
19 intended to advance corporate interest and  
20 strategic objectives. Regardless of whether those  
21 activities are lawful or beneficial from the  
22 company's perspective, these are not costs incurred  
23 to provide water or wastewater services. Florida  
24 customers should not be required to finance efforts  
25 designed to influence governmental decision-making.

1           Mr. Smith's recommendation to remove lobbying  
2           related costs from recovery is consistent with  
3           fundamental ratemaking principles and with the  
4           Commission's obligation to protect customers from  
5           bearing expenses unrelated to the provision of  
6           water.

7           The evidence in this case demonstrates that  
8           customers should not be required to pay rates that  
9           fail to recognize the net operating loss benefits,  
10          and they should not be required to fund lobbying  
11          activities that do not provide utility service.  
12          Ralph Smith offers a reasonable, balanced and  
13          evidence-based approach to these issues. His  
14          recommendations preserve the company's ability to  
15          recover their legitimate utility costs while  
16          protecting customers from charges that are  
17          unsupported by sound ratemaking principles.

18          For these reasons, OPC respectfully requests  
19          that the Commission adopt Mr. Smith's  
20          recommendations and establish rates that are fair,  
21          just and reasonable for the customers of  
22          CSWR-Florida.

23                 Thank you.

24                 CHAIRMAN SMITH: All right. Thank you.

25                 Staff, let's take up the proposed stipulations

1 at this time.

2 MR. BLOOM: There are proposed Type 1  
3 stipulations on Issues 5, 20, 21, 23 and 49. There  
4 are proposed Type 2 stipulations for Issues 15, 16,  
5 22, 24 and 35.

6 A Type 1 stipulation is endorsed by all  
7 parties and staff. Type 2 is where some parties  
8 can stipulate and other parties take no position  
9 but do not oppose approval of the stipulation. The  
10 proposed stipulations have been placed in the  
11 docket file and copies provided to the parties,  
12 staff, Commissioners and court reporter. Staff  
13 requests that this document be marked as Exhibit  
14 No. 177.

15 CHAIRMAN SMITH: So marked.

16 (Whereupon, Exhibit No. 177 was marked for  
17 identification.)

18 MR. BLOOM: Staff requests that Exhibit 177 be  
19 entered into the record.

20 CHAIRMAN SMITH: Any objection? Seeing none,  
21 Exhibit 177 is entered into the record.

22 (Whereupon, Exhibit No. 177 was received into  
23 evidence.)

24 CHAIRMAN SMITH: Do the parties wish to speak  
25 to the proposed stipulations at this time?

1           Commissioners, do you have any questions for  
2           the parties or staff regarding the proposed  
3           stipulations?

4           Seeing none, I will take a motion on it, then.

5           COMMISSIONER ORTEGA: Move to approve the  
6           proposed stipulations as filed.

7           CHAIRMAN SMITH: All right. Hearing and  
8           motion and a second.

9           All those in favor please say aye.

10          (Chorus of ayes.)

11          CHAIRMAN SMITH: Show that the proposed  
12          stipulations are adopted.

13          Okay. We are going to move on to witness  
14          testimony. Will those witnesses who are present to  
15          testify, please stand?

16          (Whereupon, Chairman Smith administered the  
17          oath.)

18          CHAIRMAN SMITH: All right. Thank you.

19          Before we get into the witness testimony, this  
20          is just a few reminders. Witness summaries of  
21          testimony are limited to five minutes each. If a  
22          witness is presenting direct and rebuttal together,  
23          he will receive 10 minutes.

24          To the extent possible, I ask that the  
25          witnesses do their best to answer questions as they

1 are asked. Please also give witnesses an  
2 opportunity to clarify their responses, even for  
3 yes or no questions, where necessary. My hope is  
4 that will maintain a clean record while efficiently  
5 proceeding through the witness testimony.

6 I would also like to remind everyone that if  
7 you need to refer on an exhibit to Case Center, you  
8 may navigate to that exhibit yourself and push it  
9 out to all the parties, or request that Brian  
10 Schultz, right over there, from our Clerk's Office  
11 can do that for you too.

12 Also, on the topic of exhibits, if someone has  
13 an objection to an exhibit, please note it when the  
14 exhibit is introduced, not when we move them into  
15 the record, and do not hold the objection.

16 Finally, please remember that friendly  
17 cross-examination is not allowed.

18 Okay. Let's get started. CSWR, you may call  
19 your first witness.

20 MR. WOODSMALL: Thank you, Madam Chair.

21 CSWR-Florida calls Josiah Cox as its first witness.

22 CHAIRMAN SMITH: Yes.

23 THE WITNESS: There we go.

24 CHAIRMAN SMITH: You are recognized, Mr.  
25 Woodsmall.

1 MR. WOODSMALL: Thank you, Madam Chair.

2 Whereupon,

3 JOSIAH COX

4 was called as a witness, having been previously duly  
5 sworn to speak the truth, the whole truth, and nothing  
6 but the truth, was examined and testified as follows:

7 EXAMINATION

8 BY MR. WOODSMALL:

9 Q You have been sworn, is that correct?

10 A Yes.

11 Q Would you please state your name and business  
12 address for the record?

13 A My name is Josiah Cox, 1630 Des Peres Road,  
14 Suite 140, St. Louis, Missouri, 63131.

15 Q And what is your position with CSWR-Florida?

16 A I am the President.

17 Q Did you prepare and cause to be filed prefiled  
18 testimony in this case?

19 A I did.

20 Q And you are here to testify on your direct  
21 testimony at this time, is that correct?

22 A Yes.

23 Q Do you have that prefiled testimony before you  
24 today?

25 A I do.

1           **Q     Do you have any corrections or revisions to**  
2   **that testimony?**

3           A     I do not.

4           **Q     If I were to ask you the questions that are**  
5   **contained in your prefiled testimony today, would your**  
6   **answers be the same?**

7           A     Yes.

8                   MR. WOODSMALL:  Madam Chair, I would ask that  
9           the prefiled testimony of Mr. Cox, the direct, be  
10          inserted into the record as though read today.

11                  CHAIRMAN SMITH:  So moved.

12                  (Whereupon, prefiled direct testimony of  
13   Josiah Cox was inserted.)

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application for increase in water and )  
wastewater rates in Brevard, Citrus, Duval, ) DOCKET NO. 20250052-WS  
Highlands, Marion, and Volusia Counties by )  
CSWR-Florida Utility Operating Company, LLC )  
\_\_\_\_\_)

**DIRECT TESTIMONY OF**

**JOSIAH COX**

**on behalf of**

**CSWR-Florida Utility Operating Company, LLC**



## INTRODUCTION

1  
2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Josiah Cox. My business address is 1630 Des Peres Road, Suite 140, St.  
4 Louis Missouri, 63131.

5 **Q. WHAT IS YOUR POSITION WITH CSWR-FLORIDA UTILITY OPERATING**  
6 **COMPANY?**

7 A. I am President of CSWR-Florida Utility Operating Company, LLC (“CSWR-Florida”  
8 or “Company”). I am also President of CSWR, LLC (“CSWR”) and Central States  
9 Water Resources, Inc., (“Central States”), each of which is a CSWR-Florida affiliate.

10 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**  
11 **EXPERIENCE.**

12 A. I received a Bachelor of Science with a major in Environmental Science from the  
13 University of Kansas. In 2007, I earned an MBA from Washington University in St.  
14 Louis.

15 Professionally, I have worked at the Kansas state biological survey where I  
16 performed wildlife habitat studies. I then worked at a civil engineering firm where I  
17 was involved in various facets of the land development process including permitting,  
18 entitlement, civil design, project management, and construction management. I  
19 focused mainly on the water and wastewater side of the civil engineering business and  
20 was involved in every part of that business from waste-load allocation studies (now  
21 known as the anti-degradation processes), design, permitting, project management, and  
22 construction management. I also was responsible for the firm's environmental  
23 consulting division and was the second private consultant to submit a water quality  
24 impact study in the state of Missouri in 2003. I later joined the engineering firm's  
25 executive leadership team and helped manage and oversee all the firm's operations.

1           Beginning in 2005, I raised money from a group of investors and formed a full-  
2       service civil engineering, environmental consulting, general contracting, and  
3       construction management firm. I served the firm as the Chief Operating Officer and  
4       Chief Executive Officer, and while there I obtained extensive experience with rural  
5       communities in every facet of the water and wastewater compliance process, including  
6       environmental assessment, permitting, design, construction, operation and community  
7       administration of the actual water and wastewater (sewerage) systems. The firm  
8       performed stream sampling and built waste-load allocation models to determine  
9       permissible sewerage effluent pollutant loads for receiving water bodies. The firm did  
10      full engineering design of multiple whole community wastewater and water  
11      infrastructure systems including wells, water distribution, water treatment, water  
12      storage, wastewater conveyance, and wastewater treatment plants, pursued the designs  
13      through federal and state administered permitting processes in Missouri and Illinois,  
14      and supervised the construction of these water and wastewater systems from green field  
15      site selection all the way through system startup and final engineering sign off.

16           In addition to running a firm that designed and built small water and wastewater  
17      systems, beginning in 2008 I took over responsibility for the operations of an existing  
18      rural sewer district. I acted as the administrator of this system, managing the system's  
19      operations, testing, maintenance, billing, emergency response, accounts  
20      payable/accounts receivable, collections, budgeting, customer service, and public  
21      meetings required to service the community.

22           In late 2010, after working on several small, failing water and wastewater  
23      systems, I created a business plan to acquire and recapitalize failing systems as  
24      investor-owned, regulated water and wastewater utility companies. In early 2011, I  
25      went to the capital markets to raise money to implement my plan. Over a period of

1 approximately three years, I met with over fifty-two infrastructure investment groups  
2 trying to raise necessary financing. In February 2014, I achieved my goal, and used  
3 the debt and equity capital I was able to raise to start CSWR. In 2018, I was able to  
4 attract an additional large institutional private equity investor, which allowed me to  
5 expand the scope of my business plan.

6 Since its formation, CSWR has acquired, and currently is operating through  
7 various affiliates, systems that serve approximately 177,000 water and/or wastewater  
8 connections in Missouri, Kentucky, Louisiana, Texas, Arkansas, Tennessee,  
9 Mississippi, Arizona, North Carolina, South Carolina, and Florida. Utilities within the  
10 CSWR affiliate group have additional applications pending in several of these states,  
11 which seek authorization from state utility regulators to acquire even more systems and  
12 customers. A corporate organization chart is attached hereto as **Exhibit JC-1**. For all  
13 companies shown in that Exhibit, Central States serves as the designated manager.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC**  
15 **SERVICE COMMISSION (“COMMISSION”)?**

16 A. Yes. In addition to my testimony before numerous state utility commissions outside  
17 Florida, I previously appeared before the Commission in support of various of the  
18 Company’s applications to acquire water and wastewater systems in Florida.

19 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN SUPPORT OF**  
20 **CSWR-FLORIDA’S REQUEST TO INCREASE ITS SERVICE RATES?**

21 A. The purpose of my direct testimony is fourfold. **First**, I will briefly describe CSWR-  
22 Florida’s operations, including a general description of the condition of the systems the  
23 Company acquired. **Second**, I will generally describe CSWR-Florida’s request for a  
24 rate increase, why that increase is necessary, and why the Commission should grant the  
25 Company’s request. In this section, I will also introduce the various CSWR-Florida

witnesses providing direct testimony in this case and identify the topics and issues covered in each witness's testimony. **Third**, I will briefly describe and discuss CSWR-Florida's requests to recover acquisition adjustments for its North Peninsula (Docket No. 20250038-WS), Aquarina (Docket No. 20250043-WS), and Sunshine (Docket No. 20250047-WS) systems, which are based on the Commission's rule governing recovery of acquisition adjustments (Rule 25-30.0371. F.A.C.). This portion of my direct testimony will be somewhat limited because even though the Company is seeking in this case to include the acquisition adjustments in the rate base the Commission uses to set rates, acquisition adjustment requests for each of the systems I just mentioned are the subjects of separate dockets dealing exclusively with that issue. **Fourth**, I will discuss CSWR-Florida's request to consolidate rates across all its Florida water and wastewater systems. This portion of my direct testimony will discuss how consolidation helps mitigate rate shock and encourages the acquisition of small, distressed systems by companies like CSWR-Florida.

**Q. ARE YOU SPONSORING ANY EXHIBITS?**

A. Yes, I am sponsoring the following exhibits:

**Exhibit JC-1:** Corporate Organization Chart

**Exhibit JC-2:** Florida Service Area Map

**Q. WERE THESE EXHIBITS PREPARED BY YOU OR YOUR STAFF UNDER YOUR SUPERVISION AND CONTROL?**

A. Yes.

**DESCRIPTION OF CSWR-FLORIDA'S OPERATIONS**

**Q. PLEASE DESCRIBE THE COMPANY'S CURRENT WATER AND WASTEWATER UTILITY OPERATIONS IN FLORIDA.**

A. CSWR-Florida currently provides water and/or wastewater service to customers

1 located in the following counties: Brevard, Citrus, Duval, Highlands, Marion, and  
2 Volusia. As of the end of the January 31, 2025, test year, CSWR-Florida provided  
3 service to approximately 12,600 water connections through 29 water systems and  
4 wastewater service to approximately 7,500 wastewater connections through 9  
5 wastewater systems. A map showing CSWR-Florida's service area is attached to my  
6 direct testimony as **Exhibit JC-2**. In his direct testimony, Mr. Jacob Freeman CSWR's  
7 Director of Engineering describes and discusses each of the water and wastewater  
8 systems the Company currently owns and operates. As of the date of this testimony,  
9 CSWR-Florida has invested more than \$74 million to acquire, upgrade and improve,  
10 and operate its water and wastewater systems. This includes working capital necessary  
11 to cover operating losses totaling \$5 million.

12 **Q. DOES CSWR-FLORIDA PROPOSE TO ACQUIRE ADDITIONAL SYSTEMS**  
13 **IN FLORIDA?**

14 A. Yes. CSWR continues to look for water and wastewater systems that may be available  
15 for sale and hopes to acquire even more Florida systems in the future.

16 **Q. PLEASE DESCRIBE THE GENERAL NATURE AND CONDITION OF THE**  
17 **WATER AND WASTEWATER SYSTEMS ACQUIRED BY CSWR-FLORIDA.**

18 A. In his direct testimony, Mr. Freeman provides a detailed description of the condition of  
19 each of the water and wastewater systems the Company has acquired and that are  
20 included in this rate case. His testimony amply demonstrates the deteriorated state of  
21 the plant facilities we acquired, the generally poor history these systems had complying  
22 with applicable health, safety, and environmental regulations, and the challenges these  
23 systems present in terms of the capital improvements required to address those issues  
24 for the present and future. That said, I can provide a general description of the water  
25 and wastewater systems, including providing some highlighted examples. I won't

1       burden the record by repeating information included in Mr. Freeman's testimony, but  
2       I will note that since its initial acquisition in Florida in 2022 CSWR Florida has invested  
3       more than \$74 million to repair, renovate, upgrade, and improve the water and  
4       wastewater systems we acquired. And the Company is prepared to make additional  
5       investments necessary to bring those systems to a point where they can operate in a  
6       manner that complies with all health, safety, and environmental regulations and ensure  
7       customers receive safe and reliable service.

8       **Q.     CAN YOU BRIEFLY COMMENT ON THE IMPORTANCE OF**  
9       **COMPLIANCE AND SYSTEM MAINTENANCE AND INVESTMENT?**

10      A.    Yes. Most people take the provision and availability of water and wastewater services  
11      for granted. The public generally does not give much thought to the safety of water  
12      and wastewater, largely because the quality and reliability of water and wastewater are  
13      generally high in most parts of the country. Indeed, it is CSWR's experience in Florida  
14      and elsewhere in its eleven-state footprint that most water and wastewater customers  
15      cannot name even basic components of a water or wastewater systems serving their  
16      community.

17               Ensuring water and wastewater systems operate properly and provide safe and  
18      reliable service is due, in large part, to how those systems are maintained and whether  
19      necessary investment has been made to upgrade and replace system components. If a  
20      system is not well-maintained and falls into a state of disrepair and deterioration, the  
21      safety and reliability of the service that system can provide will deteriorate as well.  
22      Service will become increasingly less safe and less reliable, which can have severe and  
23      detrimental impacts on the health and well-being of customers.

24               The deterioration of assets providing service and the quality of service they can  
25      provide also adversely impacts their ability to consistently comply with applicable

1 health, safety, and environmental regulations. And, as is described in detail in Mr.  
2 Freeman's direct testimony, each of the systems included in this rate case recorded  
3 numerous incidents of non-compliance during the five-year period immediately  
4 preceding their acquisition by CSWR Florida. Those regulations ensure water and  
5 wastewater service are provided in a manner that is safe for both the customers and the  
6 environment in which they live and failure to comply with the regulations poses risks  
7 to both. CSWR Florida takes seriously its obligation to provide safe, reliable, and  
8 compliant utility services, and the Company is committed to making plant investments  
9 and operation changes necessary to ensure its systems can consistently comply with  
10 applicable regulations.

11 **Q. HAVE CUSTOMERS EXPERIENCED TANGIBLE BENEFITS FROM CSWR-**  
12 **FLORIDA'S ACQUISITION OF THESE SYSTEMS?**

13 A. Yes. As is explained in the direct testimonies of Messrs. Todd Thomas, Aaron Silas,  
14 and Michael Duncan, in addition to its ability and willingness to make required capital  
15 improvements to these systems, CSWR Florida already has provided levels of  
16 technical, managerial, and financial capability and expertise not present at the acquired  
17 systems under previous ownership. Therefore, customers are receiving improved water  
18 and wastewater services since the Company's acquisition of these systems.

19 In addition, CSWR Florida is able to provide these services to its customers by  
20 leveraging the economies of scale inherent from its affiliation with CSWR and the  
21 eleven-state affiliated group of utilities for which CSWR provides services. A prime  
22 example is discussed in Mr. Silas's direct testimony. It would be impossible for a small,  
23 stand-alone, water/wastewater system to provide twenty-four hours a day/seven days a  
24 week customer service to the limited number of customers such systems routinely  
25 serve. But, because of its affiliation with a large number of systems over the affiliate

group's eleven-state footprint that have similar service requirements, CSWR Florida is able to benefit from the systems and structures CSWR has put in place to serve those affiliates and the economies of scale it has been able to realize. The same economies of scale that apply to the customer service function also allow CSWR Florida to cost-effectively receive and benefit from other professional services CSWR provides, including finance, accounting, billing, human resources, engineering, information technology, regulatory support, corporate communications, legal, and overall managerial support. Because of the small size of each of the individual systems the Company has acquired, it would have been virtually impossible for the previous owners to cost-effectively provide a similar level of services on a stand-alone basis.

#### **RATE CASE OVERVIEW**

**Q. HOW DID CSWR FLORIDA CALCULATE THE LEVEL OF RATE INCREASE IN THIS CASE?**

A. This is CSWR Florida's initial general rate case, and the Company requested and the Commission has approved the use of a historic test year ending January 31, 2025, to calculate the revenue requirement. This test year fairly represents a normal, full year of operations; however, our filing also includes pro forma adjustments to expenses and revenues to reflect known and measurable changes in expenses that will be incurred during the period rates set in this case will be in effect and also to annualize data for systems CSWR-Florida did not own during the entirety of the test year. A more detailed discussion of the revenue requirement and how it was calculated is contained in the direct testimony of Mr. Brent Thies, CSWR's Vice President and Corporate Controller.

**Q. PLEASE SUMMARIZE THE RATE INCREASE THAT CSWR FLORIDA IS PROPOSING IN THIS CASE.**



1 A. CSWR Florida is asking that the Commission approve a total annual revenue  
2 requirement for the water operations of \$7,076,871.00. Based on adjusted current  
3 revenues of \$3,853,102.03 this represents an annual increase of \$3,223,768.97. For its  
4 wastewater operations, the Company is seeking a total annual revenue requirement of  
5 \$4,287,199.83. Based on adjusted current revenues are \$3,332,318.59, this represents  
6 an annual increase for wastewater operations of \$954,881.24. The specific elements of  
7 these revenue requirements and how each was derived are discussed in detail in Mr.  
8 Thies's direct testimony.

9 **Q. WHAT WITNESSES ARE PROVIDING DIRECT TESTIMONY IN SUPPORT**  
10 **OF THE COMPANY'S RATE INCREASE REQUEST AND WHAT SUBJECTS**  
11 **WILL EACH OF THOSE WITNESSES ADDRESS?**

12 A. Including me, a total of six witnesses will provide direct testimony in support of the  
13 proposed rate increase. The other witnesses and the subjects they will cover in their  
14 respective testimonies are as follows:

- 15 • Todd Thomas – Mr. Thomas, CSWR's Senior Vice President, will discuss CSWR  
16 Florida's use of third-party contractors to perform operations and maintenance  
17 services and the process the Company uses to qualify and select those contractors.
- 18 • Mike Duncan – Mr. Duncan, CSWR's Vice President, will discuss CSWR-  
19 Florida's request to consolidate its rates statewide and how consolidation will help  
20 stabilize rates, mitigate rate shock, and encourage the acquisition of small,  
21 distressed systems.
- 22 • Aaron Silas – Mr. Silas, who serves as CSWR's Assistant Vice President –  
23 Customer Experience and Regulatory Operations, will testify to our consolidated  
24 customer service and communications initiatives and related economies of scale,  
25 rate design, and the proposed water and wastewater tariffs.

- 1       • Brent Thies – Mr. Thies, CSWR’s Vice President and Corporate Controller, will  
2       testify about development of the proposed test year revenue requirement, including  
3       annualization of operating expenses and test period revenues, depreciation expense,  
4       income taxes, and development of the rate base, which includes acquisition  
5       adjustments for the former North Peninsula, Aquarina, and Sunshine systems. He  
6       also will describe the accounting controls and budget procedures in place at CSWR  
7       and CSWR Florida,
- 8       • Jacob Freeman – In his capacity as CSWR’s Director of Engineering, Mr.  
9       Freeman’s direct testimony identifies each of the acquired water and/or wastewater  
10      systems that are included in this case, describes each system’s condition at  
11      acquisition, discusses each system’s pre-acquisition compliance history, describes  
12      actions taken to date to restore, improve, and upgrade each of the acquired systems,  
13      and set’s out CSWR Florida’s plans for longer-term improvements.

14   **Q.    ARE THE PROPOSED RATE INCREASES REASONABLE?**

15   A.    Yes. As mentioned above, and as set forth in the direct testimony of our witnesses, the  
16   systems CSWR Florida acquired were typically poorly managed and the previous  
17   owners lacked the technical, managerial, and financial ability to make the necessary  
18   capital investments to ensure regulatory compliance and provide safe, efficient, and  
19   reliable service to customers. Moreover, most of the previous owners failed to seek  
20   timely rate increases necessary to properly operate and maintain the systems. As a  
21   result, at the time of acquisition many of these systems were losing money, which  
22   means the rates the Company adopted when it acquired these systems – *i.e.*, rates in  
23   effect at closing – were not fully compensatory even under the cost and investment  
24   structures previously in place. The additional costs CSWR Florida has and continues  
25   to incur to upgrade and improve the systems and operate them in a manner that ensures

1 customers receive safe and reliable service that complies with all applicable health,  
2 safety, and environmental regulations have significantly increased operating losses. To  
3 address those losses, CSWR Florida is forced to seek an increase in rates, which for  
4 some of the systems included in this case have not changed for many years.

5 This rate filing is designed to achieve two primary objectives. First, the  
6 Company wants to increase rates to a level that allows it to recover its reasonable  
7 operating costs and provides a reasonable opportunity to earn a fair return on the  
8 investments it has made to serve customers. This level of rate relief is necessary to  
9 ensure customers continue to receive safe and reliable service and the systems serving  
10 those customers can comply with applicable health, safety, and environmental laws and  
11 regulations. Second, CSWR Florida seeks to unify its terms of service and consolidate  
12 rates statewide in a manner that streamlines and simplifies the Company's tariff and  
13 allows it to reflect the economies of scale and the benefits provided to all its Florida  
14 customers.

15 **Q. WHY ARE THE RATE INCREASES THAT CSWR FLORIDA SEEKS IN THIS**  
16 **CASE NECESSARY?**

17 A. There is no question that, from either an operating expense or a capital investment  
18 standpoint, it costs more to professionally operate water and wastewater systems in a  
19 manner that complies with applicable law and regulatory requirements than it costs to  
20 operate failing, non-compliant systems. Several of the systems CSWR Florida acquired  
21 had significant long-term compliance and operational issues and this rate request  
22 reflects the increased capital and operating costs required to address those serious  
23 deficiencies.

24 As an example, many systems did not have operational mechanical components  
25 – e.g., severely deficient hydropneumatic tanks at the Sunshine water system and

1 various wastewater systems with pumps or other major system components that were  
2 not functioning at all, and were in need of significant repairs or overhaul, or needed  
3 replacement because they were at or near the end of their useful lives. There is an  
4 obvious capital impact associated with the replacement of these failed components, but  
5 something that is often forgotten is the fact that replacement of these failed components  
6 also results in an immediate increase in operating costs. For this and other reasons, it  
7 costs more to professionally operate a system, both from a capital investment and  
8 operating cost standpoint, than it does to operate a failing, non-compliant system.

9 Finally, as I mentioned earlier, many of the systems included in this case have  
10 not had rate increases in many years. Consequently, the rates in effect at acquisition,  
11 which CSWR Florida adopted, do not come close to covering current operating and  
12 compliance costs, including recent inflation-driven cost increases. Therefore, the rate  
13 increase proposed in this case seeks not only to recover the increased operating  
14 expenses for these systems, but also a fair return on the value of the investments made  
15 in these systems to ensure they comply with applicable laws and can provide safe and  
16 reliable service to customers.

17 **Q. HOW DOES THE COMPANY PROPOSE TO MITIGATE THE EFFECT ON**  
18 **CUSTOMERS OF THE RATE INCREASES IT SEEKS IN THIS CASE?**

19 A. CSWR Florida acknowledges that rates required to cover increases in operating costs  
20 and provide a fair rate of return may significantly increase customers' monthly costs  
21 for water or wastewater service. This effect will be especially substantial if rates are set  
22 on a system-specific basis for the worst systems the Company acquired – those  
23 requiring significant increases in required capital investment and operations and  
24 maintenance costs. To mitigate the effect of these investment and cost increases,  
25 CSWR Florida proposes to consolidate its rates on a statewide basis. It is well

1 established that consolidating costs and rates across an increasingly large customer base  
2 can mitigate the amount of required rate increases, especially for the most deficient  
3 systems. Consolidated rates also streamline and simplify the Company's tariff and  
4 enable customers to share and benefit from the economies of scale and other benefits  
5 from the consolidation of many smaller systems under a single, statewide utility  
6 operating company.

7 **INCLUSION OF ACQUISITION ADJUSTMENTS IN RATE BASE**

8 **Q. EARLIER IN YOUR TESTIMONY YOU STATED THE RATE BASE CSWR**  
9 **PROPOSES FOR RATEMAKING PURPOSES IN THIS CASE INCLUDES**  
10 **ACQUISITION ADJUSTMENTS FOR THREE OF THE SYSTEMS THE**  
11 **COMPANY ACQUIRED. PLEASE EXPLAIN.**

12 A. Generally speaking, an acquisition adjustment allows a utility to include in rate base  
13 the portion of an acquisition purchase price that exceeds the net book value (NBV) of  
14 the acquired assets. However, the acquisition adjustment the Company seeks in this  
15 case includes, in addition to the difference between NBV and purchase price,  
16 transactional and regulatory costs associated with its acquisitions. As I stated earlier in  
17 my direct testimony, the rate base CSWR Florida proposes to use to set rates in this  
18 case includes this acquisition adjustment, for the following systems: the wastewater  
19 system acquired from North Peninsula Utilities Corporation, the water and wastewater  
20 systems acquired from Aquarina Utilities, Inc., and the water systems acquired from  
21 Sunshine Utilities of Central Florida, Inc.

22 **Q. DOES ALLOWING THE RECOVERY OF AN ACQUISITION ADJUSTMENT**  
23 **ASSOCIATED WITH THE PURCHASE OF DISTRESSED WATER AND**  
24 **WASTEWATER SYSTEMS REPRESENT SOUND REGULATORY POLICY?**

25 A. Yes. The regulatory, investment, and operational risks and challenges associated with

the acquisition of smaller, distressed water and wastewater systems justify a method for calculating the post-acquisition rate base of such systems in a manner that differs from the method applicable to large, mature, well-established, electric, gas, water, and wastewater utilities. Through its acquisition of literally hundreds of small water and wastewater systems across its eleven-state footprint, CSWR has learned that owners of most small water and wastewater systems, including systems in severe financial, operational, or regulatory distress, are unwilling to sell those systems for a purchase price equal to or less than the net book value of their assets. This is the case because despite the system's problems those owners still receive financial benefit from being the system's owner. Under such circumstances, regulatory policy that prevents a potential buyer from earning a return on or recovering any portion of a purchase price that exceeds net book value creates a disincentive for larger, better managed, and better capitalized utilities to acquire small, distressed systems. Such disincentives can be eliminated by regulatory policies that allow prospective buyers the opportunity to include in the formula used to set future rates all or a portion of a purchase price that is above net book value.

**Q. HAVE THE BENEFITS OF THE REGULATORY POLICY THAT ALLOWS RATE RECOGNITION OF ABOVE NET BOOK VALUE PURCHASE PRICES BEEN WIDELY RECOGNIZED?**

A. Yes. For several decades, various utility regulatory groups have recognized the need to encourage the acquisition of small water systems by larger, better managed and well-capitalized water companies. Oftentimes, this has focused on the need to allow recovery of some acquisition price above net book value.

**Q. WHAT SUPPORT CAN YOU PROVIDE FOR YOUR STATEMENT?**

A. In October 2011, in its report entitled *The Small Water Company Dilemma: Processes*

1       *and Techniques for Effective Regulation*, the National Regulatory Research Institute  
2       succinctly framed the problem associated with the traditional regulatory model for  
3       dealing with problems associated with small water systems and said the following  
4       regarding a possible solution:

5             When dealing with small water systems, the traditional regulatory model  
6             breaks down, for three main reasons. First, the primary tool employed by  
7             regulatory commissions to induce improved performance is the ability to  
8             reward or penalize shareholders, thereby focusing the attention of utility  
9             management on particular issues of importance to regulators. Because  
10            many small water systems have part-time, often absentee management and  
11            part-time employees, and because these systems contribute little or no  
12            compensation to the owners, that tool is ineffective. Second, most  
13            regulatory processes and tools, including filing requirements, templates,  
14            and timelines, require substantial utility staff, systems, and expertise that  
15            small systems do not have. Third, at the most basic level, many small  
16            systems do not have the scale to be viable operationally and financially;  
17            therefore, no amount of regulation, incentive or otherwise, will work in the  
18            long term.

19            The solution to the myriad problems associated with regulating small water  
20            systems is not simple. As the report indicates, “[s]ometimes the best option is to get the  
21            existing owner / operator out of the water business, using whatever means are available  
22            under the commission’s authority.”<sup>1</sup> Ultimately, the report concludes that one of the  
23            best “means” available under a commission’s authority is the recovery of an acquisition

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<sup>1</sup> *Id.* at page 16.

1 adjustment. In fact, the report concludes that, while an acquisition adjustment may lead  
 2 to higher rates in the short term, rates will decline over the long term as costs are spread  
 3 over a larger customer base.

4 While some of the incremental costs of bringing the system up to par are in  
 5 a sense absorbed by the economies of scale of the acquiring system, there  
 6 may be an acquisition premium involved or the new system may need an  
 7 infusion of capital. The commission must recognize those costs and allow  
 8 them in the cost structure of the acquiring system, or the process of  
 9 improving the small, acquired system will be offset by a deterioration, albeit  
 10 much smaller in scale, of the acquiring company.

11 \* \* \* \* \*

12 The consequences to the acquiring system, when looked at in isolation, are  
 13 not very appealing. But over the long term, as consolidation occurs, fixed  
 14 costs and associated rates of the acquiring system decline on a unit basis  
 15 as they are spread over a larger customer base. (emphasis added)

16 \* \* \* \* \*

17 If the mandatory option is not available statutorily, commissions have a  
 18 variety of incentive and penalty mechanisms to encourage acquisitions.  
 19 Potential incentives include recognition of an acquisition premium, as  
 20 well as incentive rate of return, zone rates, or phase-ins of rate increases.  
 21 (emphasis added)

22 **Q. DID THIS REPORT SEEK TO APPLY ITS CONCLUSIONS REGARDING**  
 23 **THE RECOVERY OF ACQUISITION ADJUSTMENTS TO LARGER**  
 24 **UTILITIES?**

25 A. No. The authors were very clear that their conclusions should only apply to “special



1 cases” including small, troubled, non-viable systems. The report emphasized the  
2 limitation as follows:

3 Observation: Most commissions have an aversion to allowing recovery of  
4 an acquisition premium by the acquiring entity. Many jurisdictions will  
5 allow recovery of an acquisition premium in special cases. *A classic special*  
6 *case in which premiums are allowed is the commission-mandated or*  
7 *commission-encouraged takeover of a troubled system.* (emphasis added)

8 Such a premium is typically not allowed in a takeover of a well-performing  
9 system. We would call this a perverse incentive. *Small systems present an*  
10 *interesting conundrum that we think mandates a revisitation.* (emphasis  
11 added)

12 **Q. DO YOU HAVE ANY OTHER EVIDENCE SUPPORTING THE**  
13 **REGULATORY POLICY PERSPECTIVE ALLOWING RECOVERY OF**  
14 **ACQUISITION ADJUSTMENTS?**

15 A. Yes. The treatise *Accounting for Public Utilities* discusses the rationale underlying the  
16 historic reason for disallowing recovery of acquisition adjustments but also discusses  
17 the situations in which state utility commissions have deemed it appropriate to allow  
18 recovery of such adjustments. The reasons most commonly cited for allowing rate base  
19 treatment of acquisition adjustments are as follows:

- 20 • when acquisitions represent an essential or desirable part of an integration of
- 21 facilities program devoted to service the public better;
- 22 • when acquisitions are clearly in the public interest, because operating efficiencies
- 23 purchased offset the excess price over net original cost; and
- 24 • when acquisitions are determined to involve arm’s-length bargaining.

1   **Q.   YOU MENTIONED PREVIOUSLY THAT THE ACQUISITION AND**  
2       **CONSOLIDATION OF SMALL WATER AND WASTEWATER SYSTEMS**  
3       **TYPICALLY REQUIRES SOME ENCOURAGEMENT BY STATE**  
4       **REGULATORS IN THE FORM OF AN ACQUISITION ADJUSTMENT.**  
5       **WHAT IS THE COMPANY’S EXPERIENCE WITH OTHER STATE UTILITY**  
6       **COMMISSIONS ALLOWING ACQUISITION ADJUSTMENTS?**

7   A.   CSWR’s utility affiliates now operate in eleven states so our affiliate group is very  
8       familiar with various mechanisms state utility regulators use to encourage the  
9       acquisition of small water and wastewater systems. In addition to Florida, such  
10      mechanisms are in place in Arizona, Texas, and Tennessee, each of which is designed  
11      to encourage the acquisition and consolidation of small systems by a larger water  
12      utility.

13           Texas: On August 20, 2020, the Public Utility Commission of Texas adopted  
14      Rule 24.41(d) regarding the recovery of positive acquisition adjustments (“When a  
15      utility acquires plant, property, or equipment for which commission approval is  
16      required under §24.239 of this title, relating to Sale, Transfer, Merger, Consolidation,  
17      Acquisition, Lease or Rental, a positive acquisition adjustment will be allowed. . .”).

18           Tennessee: In 2021 the Tennessee Public Utility Commission adopted Rule  
19      1220-04-14-.04 related to the recovery of an acquisition adjustment. That rule sets out  
20      specific factors to be considered including, improvements in public utilities services  
21      resulting from the acquisition; remediation of public health, safety and welfare  
22      concerns; and the financial situation of the operationally troubled system.

23   **Q.   YOU STATED PREVIOUSLY THAT OWNERS OF SMALL SYSTEMS**  
24       **TYPICALLY REFUSE TO SELL FOR NET BOOK VALUE. CAN YOU**  
25       **EXPAND ON YOUR PREVIOUS TESTIMONY REGARDING THAT**

1           **CIRCUMSTANCE?**

2       A.     There are many reasons. For example, the current owner, regardless of their managerial  
3           and technical competency, may perceive that a system provides an opportunity for  
4           increased revenue and profits over and above what the utility currently receives. This  
5           would particularly be the case for a system that may be capable of organic growth.  
6           Therefore, the current owner perceives that future revenues justify a sales price in  
7           excess of net book value.

8                     Another common reason is because the current owner may also be the primary  
9           operator of the system. In the ratemaking formula, rates typically include not only a  
10          return on invested capital but also recovery of operating expenses. Operating expenses  
11          include salaries of employees that operate the systems, but also those that handle  
12          billing, regulatory, bookkeeping and management functions. Therefore, an owner that  
13          is also an employee responsible for operations, billing, and other functions may also  
14          receive recovery in rates a salary for all those activities. Because the owner of a small  
15          system may not have another job or income stream, that owner will not be willing to  
16          give up the regular salary for an acquisition price based solely upon net book value.  
17          Instead, the owner will demand as part of the purchase price some recognition of the  
18          lost income stream associated with the proposed sale transaction. As such, a premium  
19          above net book value must be paid to incentivize the owner to sell the small, distressed  
20          water or wastewater system. Given this reality, it would be inequitable to expect an  
21          acquiring company to pay this premium to acquire the system but then disallow it in  
22          the calculation of post-acquisition rates.

23       **Q.     DOES THE RECOVERY OF AN ACQUISITION ADJUSTMENT CREATE AN**  
24       **INCENTIVE FOR A UTILITY TO OVERPAY IN AN ACQUISITION?**

25       A.     No. There is no incentive for a company like CSWR Florida to overpay for any

1 acquisition. The Company must still raise the capital necessary to pay the full purchase  
2 price and there is no incentive to increase the purchase price any more than is absolutely  
3 necessary if there is a chance regulators will not allow any return on or return of the  
4 portion of the purchase price above net book value. A prudent investor does not assume  
5 more regulatory risk than is absolutely necessary to complete a transaction.

6 In addition, our affiliate group is constantly in search of acquisition  
7 opportunities in Florida and elsewhere. And while we are confident we have access to  
8 capital sufficient to acquire systems we decide to buy, make investments in those  
9 systems required to ensure they comply with applicable law and provide customers safe  
10 and reliable service, and provide sufficient working capital to operate those systems  
11 until fully compensatory rates can be set sometime in the future, CSWR's supply of  
12 available capital is not limitless. Therefore, it would be foolish for CSWR or its  
13 affiliates to spend more than necessary on any individual transaction because capital  
14 not expended to purchase one system can be deployed to purchase another or make  
15 upgrades and improvements to systems our group already has acquired.

16 **Q. PLEASE DISCUSS THE IMPORTANCE TO COMPANIES LIKE CSWR**  
17 **FLORIDA, WHICH REGULARLY ACQUIRE SMALL WATER AND**  
18 **WASTEWATER SYSTEMS, OF A PREDICTABLE REGULATORY POLICY**  
19 **THAT ENCOURAGES SUCH ACQUISITIONS.**

20 **A.** Like all other states, Florida's water and wastewater utility industry has historically  
21 been highly fragmented, with numerous small systems spread across the state. This is  
22 problematic because small water/wastewater utilities often lack an ability to raise  
23 necessary capital for repairs and replacement of facilities, lack management and  
24 technical expertise necessary to plan for growth or to meet ever changing regulatory  
25 requirements, and do not have enough customers to provide a revenue base large

1 enough to support rates necessary to fund required investments and operating costs on  
2 a stand-alone basis.

3 However, absent regulatory support, which includes a real prospect for  
4 recognition of an acquisition premium as part of the formula used to set future rates,  
5 companies like CSWR Florida, which have the capacity to acquire, consolidate, and  
6 successfully operate small water and wastewater utilities, have no incentive to do so.  
7 Indeed, concerns they will not be allowed to recover any portion of an above net book  
8 value purchase price or the transactional and regulatory costs required to complete such  
9 acquisitions are a major disincentive to potential purchasers. Without clear and  
10 consistent regulatory support, the kinds of acquisitions regulators should want to  
11 encourage either will not be made at all or will be made much less frequently.

12 **Q. YOU PREVIOUSLY NOTED THE COMMISSION'S ADOPTION OF RULE**  
13 **25-30.0371 GOVERNING ACQUISITION ADJUSTMENTS. WHAT IS YOUR**  
14 **UNDERSTANDING OF WHAT THAT RULE REQUIRES A UTILITY TO**  
15 **SHOW TO RECOVER AN ACQUISITION PREMIUM ADJUSTMENT?**

16 A. Commission Rule 25-30.0371 establishes two sets of requirements for recovery of an  
17 acquisition premium – one if the utility from which a system is acquired is found to be  
18 “non-viable” and another if it is found to be “viable.” Under the rule, a utility is  
19 considered “non-viable” if it is currently unable or projected to be unable to provide  
20 and maintain safe, adequate and reliable service and facilities over the five-year period  
21 following the date of its acquisition due to its:

- 22 • failure to comply with federal, state, or local regulations governing primary or  
23 secondary water quality or other health, safety, or environmental standard or has a  
24 history of violations of such regulations or standards, and
- 25 • has a record of insufficient investment, repair or maintenance of assets or an

1 inability to acquire and maintain adequate managerial, operational, financial, or  
2 technical capabilities to ensure safe and reliable Service OR is insolvent, i.e. unable  
3 to pay its debts.

4 A “viable” utility is one that does not satisfy the rule’s definition of “non-viable.”

5 The rule allows companies that acquire non-viable utilities to recover a full or  
6 partial acquisition adjustment if it can show its purchase price was made as part of an  
7 arms-length transaction and customers of the acquired utility will benefit from the  
8 acquisition. Factors the Commission should consider in deciding whether an  
9 acquisition adjustment should be authorized are stated in subsection (3)(a) of the rule.

10 Companies that acquire viable utilities may also recover a full or partial  
11 acquisition adjustment, however the evidence required to support such a request differs  
12 from what is applicable to transactions involving non-viable utilities. Companies that  
13 acquired a viable utility must show the purchase price was made as part of an arms-  
14 length transaction and must also show that allowing the acquisition adjustment is  
15 projected to provide a positive cumulative present value of the acquiring utility’s  
16 revenue requirement (“CPVRR”) over the five-year period immediately following the  
17 acquisition. However, if the CPVRR does not result in a positive customer benefit over  
18 that period, subsection (4)(a) of the rule lists alternative benefits the Commission  
19 should consider.

20 The rule allows a utility seeking an acquisition adjustment to file its request  
21 either as a stand-alone application (which must be filed within prescribed timeframes)  
22 or as part of a general rate case.

23 **Q. PLEASE DISCUSS THE ACQUISITION ADJUSTMENTS CSWR FLORIDA IS**  
24 **SEEKING TO RECOVER IN THIS CASE.**

25 **A.** As mentioned earlier in my testimony, CSWR Florida has included in the revenue

1 requirement in this case acquisition adjustments related to three transactions: the  
2 acquisition of a wastewater system from North Peninsula Utilities Corporation, the  
3 acquisition of water and wastewater systems from Aquarina Utilities, Inc., and the  
4 acquisition of several water systems from Sunshine Utilities of Central Florida, Inc.  
5 The Company has opted to request those acquisition adjustments in separate, stand-  
6 alone dockets as permitted under Rule 25-30.0371. The docket numbers for those three  
7 cases are, respectively, as follows: Docket No. 20250038-WS, Docket No. 20250043-  
8 WS, and Docket No. 20250047-WS.

9 **Q. DO THE ACQUISITIONS YOU JUST MENTIONED QUALIFY FOR**  
10 **ACQUISITION ADJUSTMENTS UNDER THE COMMISSION'S RULE?**

11 A. Yes. Because these three matters are each the subject of a separate Commission docket,  
12 I don't want to unnecessarily burden the record here with evidence that likely will be  
13 repeated in those cases. But I would like to briefly summarize why the Commission  
14 should recognize for ratemaking purposes all purchase price amounts paid above net  
15 book value as well as all transaction and regulatory costs incurred to complete each of  
16 the transactions.

17 **North Peninsula:** The North Peninsula wastewater system was non-viable at the time  
18 of its acquisition by CSWR Florida. As I previously testified, a non-viable utility under  
19 the Commission's rule is one that is either unable to provide and maintain safe,  
20 adequate, and reliable service and facilities to its customers, or that is insolvent. North  
21 Peninsula was both -- it was unable to provide and maintain safe, adequate and reliable  
22 service, and it was insolvent. Photographs attached to the Company's petition in  
23 Docket No. 20250038-WS show the North Peninsula wastewater system was falling  
24 apart at the time of its acquisition. In addition, the years preceding the acquisition were  
25 marked with relentless enforcement and compliance actions against the prior owner by

1 the Florida Department of Environmental Protection (“FDEP”) and Volusia County  
2 (“County”). There also were many years of insufficient investment, repair and  
3 maintenance of the system. At the time of acquisition, all three of North Peninsula’s  
4 package sewage treatment plants were failing. And the available evidence demonstrates  
5 North Peninsula was insolvent at the time of acquisition because in the years  
6 immediately preceding the acquisition by the utility recorded several years of negative  
7 net income from utility operations and its last-filed annual report showed  
8 approximately \$230,000 in assets against \$1.3 million in liabilities. A company with  
9 such a financial record cannot be expected to remain in business for long.

10 **Aquarina**: Like North Peninsula, the Aquarina water and wastewater systems were  
11 non-viable at the time of acquisition. Aquarina was unable to provide and maintain  
12 safe, adequate and reliable service, and its annual reports indicate it was insolvent. In  
13 2021, as part of its pre-acquisition due diligence CSWR-Florida commissioned  
14 engineering studies of the water and wastewater systems. Those studies indicated much  
15 of the water and wastewater plant to be acquired was at or near the end of its useful  
16 life. Indeed, the condition of most major plant components was evaluated to be only  
17 “fair.” In addition, there had been many years of insufficient investment, repair and  
18 maintenance of the system. Leading up to the acquisition, Aquarina also recorded  
19 many years of negative net income from utility operations, and its financial records  
20 reflected a retained earnings balance of negative (\$938,831) by 2021, indicating the  
21 utility was insolvent.

22 **Sunshine**: The Sunshine water systems also were non-viable at the time of acquisition.  
23 As part of its pre-closing due diligence, CSWR-Florida commissioned a non-affiliated  
24 engineering firm to perform a preliminary engineering study for each of the twenty-  
25 three Sunshine water systems. The engineering firm was able to observe the poor



1 quality of system assets, which suggests the systems were nearing the end of their  
2 useful lives because of age, neglect, or a combination of both. In addition, Sunshine's  
3 annual reports to the Commission reveal many years of insufficient investment and  
4 inadequate expenditures for repair and maintenance of the systems. Those same annual  
5 reports also show that during the period immediately preceding the acquisition  
6 Sunshine experienced several years of negative net income from utility operations. The  
7 cumulative effects of those earnings shortfalls caused the value of the enterprise to  
8 decline, as reflected in Sunshine's negative retained earnings, which by 2020 was  
9 negative (\$335,074).

10 The petitions in each of the aforementioned cases also show that customers have  
11 benefitted from the Company's acquisition of those systems. For example, costs and  
12 rates for the Aquarina system are projected to decrease under CSWR Florida's  
13 ownership compared to those of the prior owner. Since the acquisition of each system,  
14 CSWR-Florida has engaged in substantial repairs and upgrades to the systems to the  
15 benefit of customers. Those repairs and upgrades, including before and after  
16 photographs, are included in Mr. Freeman's direct testimony in this rate case. Customer  
17 service improvements the Company has implemented include a call center that is  
18 available 24 hours per day/7 days per week as well as electronic communications and  
19 billing. Customers further benefit from economies of scale achieved through CSWR  
20 Florida's access to CSWR's centralized engineering, accounting, billing, legal and  
21 purchasing operations. The customers of the North Peninsula, Aquarina, and Sunshine  
22 systems have already benefitted from CSWR Florida's acquisition and will continue to  
23 benefit into the future as longer-term system upgrades, improvements, and  
24 replacements are completed, which will ensure that, unlike in the pre-acquisition past,  
25 the systems will be able to provide customers with safe and reliable service that

1 complies with applicable health, safety, and environmental laws and regulations.

2 **RATE CONSOLIDATION**

3 **Q. PLEASE DISCUSS THE COMPANY'S RATE CONSOLIDATION**  
4 **PROPOSAL.**

5 A. CSWR Florida proposes to consolidate rates across all of its Florida water and  
6 wastewater systems to mitigate "rate shock" to customers if rate increases, especially  
7 those for systems requiring an immediate investment of substantial amounts of capital  
8 and/or those with a relatively small number of customers, are calculated on a system-  
9 specific basis. The reasons why statewide rate consolidation benefits Florida  
10 customers is discussed in greater detail in the direct testimony of CSWR Florida's  
11 witness Aaron Silas.

12 **Q. WOULD YOU BRIEFLY DESCRIBE SOME OF THE BENEFITS OF**  
13 **CONSOLIDATED RATES AND TARIFFS?**

14 A. It has been CSWR's experience across its eleven-state footprint that consolidated  
15 pricing results in several benefits. First, it is well-established that single tariff pricing  
16 helps to encourage the acquisition of small, troubled water and wastewater systems by  
17 spreading costs to a larger customer base. Second, the consolidation of systems into a  
18 single tariff mitigates rate shock and makes service more affordable for all the  
19 Company's Florida customers. Third, while there may be different technologies  
20 utilized at different systems, all the Company's systems share many of the same costs  
21 of service, which minimizes cross-subsidization as a rate consolidation concern.  
22 Fourth, the development of a single set of tariffs provides for a heightened level of  
23 regulatory, administrative, and billing efficiency. Specifically, CSWR Florida and the  
24 Commission will not have to maintain multiple sets of rules and rates. Fifth, because  
25 all systems will eventually require the same types of large capital investments over

1 time, any perceived inequities or subsidies associated with rate consolidation will  
2 render those concerns invalid in the long-run. And lastly, because consolidated tariffs  
3 provide a more simplified approach to rates and rules, they are more consumer friendly  
4 than dozens of different rate sheets.

5 **Q. HAVE CONSOLIDATED RATES BEEN RECOGNIZED AS A SOLUTION TO**  
6 **THE PROBLEM OF SMALL WATER AND WASTEWATER SYSTEMS?**

7 A. Yes. For years it has been recognized that single tariff pricing and the consolidation of  
8 rates encourages the consolidation of small water and wastewater systems into larger  
9 utilities. For instance, in a 2008 report, the National Regulatory Research Institute  
10 stated:

11 Single tariff pricing is another way to encourage mergers. Enabling a  
12 uniform rate structure or consolidated rates for systems owned by the same  
13 entity may encourage a corporate utility to grow its business by acquiring –  
14 whether contiguous or interconnected or not – other systems. With  
15 consolidated pricing, customers pay the same price even though their  
16 individual system may have unique operating characteristics and needs.  
17 Single tariff pricing makes it easier to share costs among larger numbers of  
18 customers.<sup>2</sup>

19 **Q. WILL CONSOLIDATED RATES REQUIRE CUSTOMERS SERVED BY**  
20 **“BETTER” SYSTEMS TO SUPPORT THE COST OF IMPROVEMENTS**  
21 **CSWR FLORIDA IS MAKING TO SOME OF ITS WORST SYSTEMS?**

22 A. No. Although there may appear to be subsidization in the short run, it isn’t true if you

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<sup>2</sup> *Small Water Systems: Challenges and Recommendations*, National Regulatory Research Institute (“NRRI”), February 7, 2008 (citing to *Joint Report of the US EPA and NARUC, Consolidated Water Rates: Issues and Practices in Single Tariff Pricing*, September 1999).

1 take a longer-term view. In each of the systems the Company owns and operates, all  
2 the distribution and treatment systems will eventually require major repairs and  
3 replacements. Some systems require more urgent investment; however, over time all  
4 systems will require those same or similar investments. So, whatever short-term  
5 subsidies may flow between at any particular point in a system's life cycle, that  
6 situation will inevitably reverse over time.

7 I also note that average cost pricing and state-wide rates are the rule rather than  
8 the exception in the broader utility industry. For example, although it may cost an  
9 electric or gas utility much more to serve some individual customers than it does to  
10 serve others, electric and gas utilities have for decades had uniform rates for all  
11 customers within each rate class.

12 **Q. HAVE CONSOLIDATED RATES BEEN IMPLEMENTED FOR OTHER**  
13 **CSWR AFFILIATES?**

14 A. Yes. CSWR affiliates operating in Louisiana, Mississippi, Texas, Missouri, and  
15 Kentucky have all seen rates and tariffs for water and wastewater systems consolidated.  
16 I believe the following language from a rate case decision by the Kentucky Commission  
17 reflects the views of regulators in the states I just mentioned regarding the consolidated  
18 rates they approved for our affiliates:

19 The Commission supports the principle that utility rates should be cost  
20 based, and that in most circumstances each class of utility ratepayers should  
21 pay the costs which the utility incurs to provide that class with utility  
22 service. The majority of Bluegrass Water's customers are in the residential  
23 class. A separate rate for each geographically distinct merged system of  
24 Bluegrass Water would create unreasonable and undue hardship to

1 individuals in some areas served by Bluegrass Water.<sup>3</sup>

2 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

3 A. Yes it does.

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<sup>3</sup> In re: Bluegrass Water Utility Operating Company, Case No. 2022-00432, issued February 14, 2024, at page 96.

1 BY MR. WOODSMALL:

2 Q Have you attached any exhibits to your  
3 testimony?

4 A Yes.

5 Q And those are Exhibits JC-1 and JC-2, is that  
6 correct?

7 A Correct.

8 Q Do you have any corrections or revisions to  
9 those exhibits?

10 A No.

11 Q Have you prepared a summary of your prefiled  
12 testimony today?

13 A I have.

14 Q Would you please provide the parties and the  
15 Commission with that summary at this time?

16 A Yes.

17 Good morning, Commission. I appreciate the  
18 opportunity to speak here. So I want to begin with the  
19 truth that across this country, and here in Florida,  
20 small water and wastewater systems are failing. Not  
21 because anyone intended them to fail, but because they  
22 were never set to you succeed.

23 Decades ago, developers built many of these  
24 systems to serve new communities, and this has resulted  
25 in a highly fragmented water and wastewater industry in

1 Florida, with small systems that are run by entities  
2 that lack the technical, managerial and financial  
3 ability to run a real utility.

4 When development projects were completed,  
5 responsibility was often left with developers or handed  
6 off to homeowners' associations, entities that lack that  
7 technical, managerial and financial ability to sustain  
8 critical infrastructure.

9 Over time, the outcome became inevitable.  
10 Assets deteriorated, maintenance was deferred, and over  
11 time, systems that were once functional could no longer  
12 meet modern environmental and health standards.  
13 Regulators identified testing noncompliance, but the  
14 owners simply did not have the resources to fix the  
15 problems.

16 What began as a gradual decline became  
17 systematic failure. This paradigm is not simply  
18 theoretical. Through our testimony in this case, we  
19 have documented that this has, indeed, been the case  
20 with respect to the systems we have acquired and which  
21 are included in this case.

22 As the testimony in this case makes clear,  
23 traditional regulation alone does not solve the problem  
24 with failing water and wastewater systems. On a  
25 stand-alone basis, these systems are too small to be

1 viable. They lack the economies of scale. Costs for  
2 maintenance and upgrades are spread over too few  
3 customers, making sustainability impossible. In many  
4 cases, rates were never updated to reflect reality. In  
5 fact, some of the systems have gone decades without  
6 seeking rate relief. The result is deteriorated  
7 infrastructure and chronic compliance issues. So the  
8 question becomes, what is the solution?

9           The solution is best described as a  
10 three-legged stool. Like any stool, if one leg is  
11 missing, the whole solution fails.

12           The first leg is professional ownership.  
13 These systems need technical, operational and managerial  
14 expertise, and CSWR is providing that expertise to these  
15 systems by leveraging economies of scale inherent  
16 through its affiliation with CSWR systems.

17           You cannot rehabilitate infrastructure without  
18 engineering capability. You cannot maintain compliance  
19 without trained operates. And you can't deliver  
20 reliable service without effective management.

21           As the testimony shows, and Mr. Thomas will  
22 discuss, CSWR is providing operational expertise in the  
23 form of professionally certified is operators, modern  
24 technology, remote monitoring that provides 24/7 system  
25 visibility.



1           As Mr. Freeman will discuss, CSWR is also  
2   providing engineering expertise capable of addressing  
3   the unique solutions required by these small distressed  
4   systems.

5           Then as Mr. Silas point out, its also  
6   providing managerial expertise in the form of 24/7  
7   customer service and corporate communication that  
8   communities expect and deserve.

9           Finally, as Mr. Thies notes, CSWR is providing  
10   financial expertise, the ability to deploy capital to  
11   rehabilitate systems even before rate relief is sought.  
12   But expertise alone is not enough. The second leg is  
13   consolidation.

14           As part of this case, CSWR is asking the  
15   Commission to consolidate rates across all its Florida  
16   systems. Consolidation of these small systems and the  
17   result in economies of scale is what makes  
18   sustainability possibly.

19           On a stand-alone basis, small systems simply  
20   do not work economically, wherein, costs are borne by a  
21   small number of customers, rates can become  
22   unaffordable.

23           As my testimony and Mr. Duncan points out,  
24   consolidation of rates spreads out costs across all  
25   systems across a larger customer base, it moderates rate

1 increases, allows necessary investment and improves  
2 operational efficiency. It also creates more stable and  
3 understandable rate structures.

4 While costs between systems may differ in the  
5 short-term, over time, all the systems require same  
6 amount of reinvestment. Consolidation ensures that  
7 these costs are shared fairly and responsibly. But even  
8 expertise and economies of scale to achieve their  
9 consolidation are not enough without the third leg.

10 The third leg is the ability to recover  
11 acquisition adjustments. In most cases, acquiring  
12 distressed systems requires paying more than net book  
13 value. Owners will not sell otherwise, even when the  
14 systems are failing. If companies are required to pay  
15 those costs but cannot recover them, the incentive to  
16 acquire and fix these systems disappears. And without  
17 acquisition, these systems remain in decline.

18 My testimony demonstrates that CSWR has met  
19 the requirements of the rule and acquisition adjustments  
20 and recovery of the requested adjustments is  
21 appropriate. Recovery of acquisition adjustments  
22 enables the transition to capable ownership. It allows  
23 capital to flow into these distressed systems, and it  
24 makes both expertise and consolidation possible.  
25 Without it, the stool cannot stand.

1           Only when all three legs are present do the  
2 solutions work. If you have the expertise without  
3 scale, economics fail. If you have the scale without  
4 expertise, operations fail. And if you have both but  
5 you can't recover acquisition investments, the capital  
6 never arrives for these small systems.

7           When expertise, consolidation and acquisition  
8 recovery come together, customers benefit. They receive  
9 safer and more reliable service, systems are operated in  
10 compliance of regulatory standards, and infrastructure  
11 is improved, and those improvements remain affordable  
12 because costs are shared responsibly.

13           This case represents an opportunity for this  
14 commission to take a meaningful and needed step towards  
15 addressing a critical issue in Florida, the issue of  
16 failing water and wastewater systems, and the result in  
17 substandard service provided by those systems. It is a  
18 choice between investing to fix failing systems today or  
19 paying for more -- paying far more for failure tomorrow.

20           The problem is real, widespread and urgent,  
21 but the solution is clear. A three-legged stool built  
22 on expertise, consolidation, recovery of acquisition  
23 adjustments. When all three are in place, failing  
24 systems can be transformed into safe, reliable utilities  
25 that serve customers for decades to come.

1 CHAIRMAN SMITH: Thank you.

2 You may tender your witness for  
3 cross-examination.

4 MR. WOODSMALL: Before that, Your Honor, we  
5 would offer his Exhibits JC-1 and JC-2 into the  
6 record.

7 CHAIRMAN SMITH: Any objection? Oh, okay,  
8 yeah, actually, we will wait until after -- we will  
9 move exhibits in case --

10 MR. WOODSMALL: Thank you.

11 CHAIRMAN SMITH: -- OPC has any.

12 MR. WOODSMALL: Thank you, Chair.

13 With that, we would offer cross-examination on  
14 Mr. Cox's direct testimony.

15 CHAIRMAN SMITH: Thank you.

16 Mr. Watrous, you are recognized for  
17 cross-examination.

18 MR. WATROUS: Thank you, Madam Chair.

19 EXAMINATION

20 BY MR. WATROUS:

21 Q And good morning, Mr. Cox.

22 A Good morning.

23 Q How are you doing today?

24 A Oh, not great. I am on the witness stand.

25 Q Yeah.

1                   **So, Mr. Cox, you had testified that CSWR's**  
2   **business model is based on acquiring water and**  
3   **wastewater systems?**

4           A     Correct.

5           **Q     And is CSWR actively seeking additional**  
6   **acquisitions in Florida while this rate case is pending?**

7           A     Yes, I think we have four other distressed  
8   systems pending before the Commission currently, and I  
9   think we have 60 other systems that we have identified  
10 as failed in Florida.

11          **Q     And how many systems does CSWR-Florida own?**

12          A     I believe it's 38.

13          **Q     And now that CSWR-Florida owns those systems,**  
14 **does CSWR-Florida have a Florida specific five-year**  
15 **capital improvement plan?**

16          A     We have. I think we have \$50 million of  
17 projects in flight currently, between -- I think we have  
18 five wastewater plant replacements that are currently  
19 being engineered, and then we have \$5 million in PFAS  
20 remediation that is currently slated.

21          **Q     So do you have a Florida specific five-year**  
22 **capital improvement plan?**

23          A     I have the projects that are in flight to  
24 bring them back into compliance.

25          **Q     So no plan?**

1           A     That is a plan.

2           **Q     But no documented plan?**

3           A     I mean, I have engineering plans that are  
4     being approved right now by the Florida Department of  
5     Environmental Quality.

6           **Q     Do you have a five-year capital improvement**  
7     **plan for the state of Florida?**

8           A     Yes, all the projects I just mentioned.

9           **Q     And you are asking the Florida Public Service**  
10    **Commission to consolidate rates across CSWR's systems?**

11          A     Yes.

12          **Q     And these systems operate in different**  
13    **counties with different plant conditions and investment**  
14    **needs?**

15          A     They operate in different counties, but the  
16    plants are basically the same, with the same operational  
17    and kind of plant characteristics.

18          **Q     And can you quantify the savings attributable**  
19    **to consolidation?**

20          A     Yes. We have done that in testimony.

21          **Q     And where at in testimony?**

22          A     I believe we gave you stand-alone rates versus  
23    consolidated rates.

24          **Q     And that would be in Mr. Silas's testimony?**

25          A     That may -- I assume so.

1           **Q     And isn't it true that without consultation in**  
2     **this case, some systems would experience substantially**  
3     **higher stand-alone rates?**

4           A     Yes.

5           **Q     So consolidation functions as a rate shock**  
6     **mitigation mechanism?**

7           A     Yes. It allows costs to flow responsibly  
8     between systems. I mean, you think about your larger  
9     systems that don't have the same per capita costs today  
10    actually have much higher underground replacement costs  
11    over time. So whereas today, you have a group of  
12    systems with a smaller customer base and more Q plant  
13    replacement costs on a per customer basis, and in 10  
14    years, the larger plant is going to have a much larger  
15    line replacement program than those smaller systems.  
16    Thus, the costs are equal over a 10-year period.

17          **Q     And you had mentioned CSWR would provide**  
18     **economies of scale through centralized services, is that**  
19     **correct?**

20          A     Correct.

21          **Q     And can you quantify the actual dollar savings**  
22     **Florida customers would receive from these economies of**  
23     **scale?**

24          A     Well, I don't know how much it would cost to  
25     have an individual engineer, individual accountant staff

1 for each one of the utilities, individual professional  
2 operations, individual environmental health and safety  
3 officers. It would be very expensive on a customer  
4 basis.

5 **Q So you can't quantify the actual dollar**  
6 **savings today?**

7 A I mean, I could do it in my head. It would be  
8 real expensive.

9 **Q So that's a no?**

10 A That's a yes, but do you want me to do it? I  
11 mean, I can do -- calculate on a napkin math here if you  
12 would like.

13 **Q You did not provide the actual dollar savings**  
14 **for Florida customers that they will receive from these**  
15 **economies of scale?**

16 A I did not do that math.

17 **Q And would you agree that economies of scale**  
18 **should reduce, not increase per customer costs over**  
19 **time?**

20 A Say the question one more time for me, please.

21 **Q Would you agree economies of scale should**  
22 **reduce, not increase per customer costs over time?**

23 A Yes, as long as they are comparable. So the  
24 same amount of engineering expertise, environmental  
25 health and safety work, operational expertise, 24/7



1 customer service, correct. It's got to be apples to  
2 apples, which it's not now.

3 **Q And cost CSWR provide 24/7 customer service**  
4 **capabilities?**

5 **A Yes.**

6 **Q And how many Florida-based customer service**  
7 **employees does CSWR employ?**

8 **A None.**

9 **Q You don't. You had mentioned acquisition**  
10 **adjustments. Those acquisition adjustments are the**  
11 **subject of separate dockets, is that correct?**

12 **A Correct.**

13 **Q Thank you, Mr. Cox. I have no further**  
14 **questions.**

15 CHAIRMAN SMITH: Thank you.

16 Staff?

17 MR. BLOOM: We have no questions.

18 CHAIRMAN SMITH: Commissioners?

19 Commissioner La Rosa.

20 COMMISSIONER LA ROSA: Thank you, Madam Chair.

21 Thank you, Mr. Cox, for being in front of us  
22 here today.

23 Can you walk me through kind of the normal  
24 acquisition process, as far as how do you look at a  
25 system? What are your anticipations? How do you

1 review and work from a due diligence perspective?

2 THE WITNESS: Yeah, so a lot of systems are  
3 referred to us. So the regulator says, hey, these  
4 are completely distressed utilities, we go through  
5 -- we actually have a database of single water and  
6 wastewater system in the state of Florida, so we  
7 have, you know, all of their permits are tied to  
8 the federal data bases, so we can see all the  
9 violations, both from the drinking water standpoint  
10 and wastewater standpoint.

11 So we go through -- approach owners that are  
12 in clear distress. And in Florida, we start out  
13 with investor-owned utilities. We also do water  
14 districts associations, homeowner associations, the  
15 whole thing. And we start calling on owners and  
16 say, hey, listen we know you are in distress, you  
17 need out of the business, you know, like Sebring  
18 Ridge, for example, hadn't had a rate increase for  
19 30 years. You know, we start talking to those  
20 owners.

21 We get into a conversation about purchasing  
22 them. Then we go send our technical staff out  
23 first. So we have an engineering team that will go  
24 walk the sites and look and see the condition.

25 We have done over a thousand of these across

1       the country, so we think we have kind of seen  
2       everything at this point in terms of water and  
3       wastewater technologies, lift station failures,  
4       water production failures, that kind of thing.

5               After we get into a contract with an owner to  
6       purchase those systems, then we have a third-party  
7       engineer go out and do a Florida engineer, so a  
8       Florida professional engineer goes out and gives an  
9       engineering assessment, kind of gives their value  
10      -- their view in the condition of the assets. And  
11      then we start putting together what we call a  
12      triage plan.

13             So like all these systems -- so Sunshine was a  
14      great example. I think Sunshine's underground,  
15      their actual conveyance water lines are electrical  
16      conduit and thin galvanized pipe. They use, like,  
17      home Depot valves. I mean, it's crazy bad, right.

18             And until you own the thing -- we are go out  
19      and seeing how many lift stations are actually  
20      operating. You are supposed to have two at every  
21      lift station. Sometimes none were functional. How  
22      many blowers are operational at the plant?  
23      Sometimes one is operational when four should be,  
24      you know, going continuously. Those find kind of  
25      things. You try to identify all of those immediate

1 capital needs.

2 Almost all of the mechanical components of  
3 these systems are failed. The electrical is  
4 dangerous. I mean, you got electrical panels  
5 falling over, lift stations overgrown. No fencing.  
6 I mean, it's pretty catastrophically bad.

7 So trying to identify all of those capital  
8 improvements just to turn the plants back on,  
9 right. And then we go from there to move into,  
10 like, the permitting side, so that we are getting  
11 all the systems operational, they are running. And  
12 then go through, like, okay, so now we have to do  
13 from a permitting standpoint, how many new wells we  
14 have to drill, how many plants we have to replace,  
15 those kind of things is really what -- the stage as  
16 we go through.

17 COMMISSIONER LA ROSA: Okay. So knowing all  
18 of that, that's is all before acquisition, I  
19 presume?

20 THE WITNESS: Yeah, we do most of that before  
21 acquisition. On some of it you can't tell. You  
22 can't tell some of the -- if the, you know,  
23 submersible pumps, you know, both of them are  
24 running or not, if it's not clicked on, you know,  
25 those kind of things, but we try to figure out

1 before acquisition at least turn it back on.

2 COMMISSIONER LA ROSA: How accurate is that  
3 developer or a civil engineer report in comparison  
4 to -- you've got the report. You have verified and  
5 had folks out in the field looking at different  
6 things, how accurate is it post operations or post  
7 ownership now that you own the system and now you  
8 are operating the system, you look back, is it, you  
9 know, what's missed? What's not missed?

10 THE WITNESS: Yeah --

11 COMMISSIONER LA ROSA: And that's hard to kind  
12 of put your arms around.

13 THE WITNESS: Yeah, we don't really look at it  
14 like that. We just have an engineer, like, hey, at  
15 what state are these assets. We are not asking  
16 them to give us an estimate on what it takes to  
17 bring back into compliance, because we just know it  
18 costs money, right, and we are going to figure it  
19 out as we go, as we have done, you know, a thousand  
20 times across the country.

21 And so we go through knowing, hey, once get  
22 these components running, the next phase is really  
23 figuring out what it's going to cost to bring the  
24 plants into final compliance.

25 So we spend a bunch of money at first to turn

1           it back on and then, hey, can we rehab these plants  
2           and meet, you know, EPA requirements, or are we  
3           going to have to do a plant replacement, some  
4           permitting project, that's really where the next  
5           phase of, okay, what's it going to cost to bring  
6           some of these into final compliance?

7           I mean, like -- and we brought, you know, I  
8           think 16 of these systems back into compliance  
9           since we owned them. Didn't have to do plant  
10          replacements other anything like that, and the  
11          others in the process of permitting and all of that  
12          great stuff.

13          COMMISSIONER LA ROSA: Okay. So outside of  
14          the actual, call it the assets, right, how do you  
15          consider and look at a customer feedback or the  
16          customers in the process?

17          THE WITNESS: Yeah, so, you know, when we buy  
18          assets, we go through and we send a letter -- here  
19          is what our problem is, right. So customers have  
20          experience failed utility service for decades,  
21          right. They are very frustrated. You know, we  
22          come in, and one of the first things we do is we do  
23          customer notification and say we are going to buy  
24          these systems. You know, how many people can point  
25          to single peaks of water and wastewater

1       infrastructure in their community? Almost none.  
2       So we are kind of educating customers. They know  
3       their water service is bad, but sewer, for the most  
4       part, unless you live next to the sewer plant,  
5       which some of our customers do, you have no idea  
6       when it's bad, good, ugly, or lift stations are  
7       overflowing, you know, customers recognize that,  
8       but for the most part, it's kind of unseen, you  
9       flush your toilet it works.

10           So we have to explain to them, here's all the  
11       things that are going wrong in your system. We  
12       send them an introduction letter. Here's all the  
13       things we are going to have to fix. Here's the  
14       noncompliance that exists, that kind of thing.

15           And when we send those letters out, we get --  
16       we typically get a wave of customer calls and  
17       complaints because, like, finally there is someone  
18       to talk to, because before, the owner would stick  
19       his head in the sand and wouldn't answer the call.

20           And then we go through -- and sometimes  
21       customers help us find assets that the previous  
22       owner didn't identify. Hey, there is a lift  
23       station no one knew about, or, you know, whatever  
24       that is. We try and take all of that in. And then  
25       we have a second wave of complaints when we turn

1 everything on.

2 So think if you lived next to a wastewater  
3 plant and the blowers were never running, it was  
4 very quiet. It was very peaceful for you. It may  
5 have smelled bad, right, but, you know, your house,  
6 you didn't get any of noise, and all of a sudden  
7 the thing is running. You are like, oh, my gosh,  
8 you know, I have lived next to this thing for 15  
9 years, it's never been this bad before. Well,  
10 that's because it wasn't running, right. So you  
11 have to take that into account too.

12 COMMISSIONER LA ROSA: And so this is all  
13 post-acquisition. What about pre-acquisition?

14 THE WITNESS: Pre-acquisition, we go through  
15 the normal notification to talk to the customers,  
16 you know, hey, we are going to buy the system, that  
17 kind of thing.

18 COMMISSIONER LA ROSA: Do you get -- do you  
19 hear any feedback from customers that lead you to  
20 maybe disclose something that was undisclosed by  
21 the seller of the system?

22 THE WITNESS: Not that I can think of,  
23 Commissioner. For the most part, we deal -- there  
24 is a reason why we deal with only domestic water  
25 and wastewater, because it doesn't have long-time



1       -- long-term environmental reliability impacts.  
2       You know, if we were an industrial wastewater, or  
3       something like that, CERCLA liability, so we are  
4       less worried about, like, hey, we will figure it  
5       out as it comes, because we just know, there is  
6       no -- I think --

7               We get a shoebox of records from these owners  
8       oftentimes, right. They have no maps, no  
9       engineering plans, nothing exists. We are having  
10      to build maps from scratch. Our own GIS work, all  
11      that kind of stuff. So we get very little  
12      operational information.

13             And I think even, like, annual reports and all  
14      those things that are turned in, well, if you are  
15      not running your blowers, your electricity is  
16      grossly underestimated. If you are not actually  
17      putting, you know, chlorination in the water  
18      system, that means your chemical costs are grossly  
19      understated, you know, those kind of things. So we  
20      can't really rely on historical records.

21             COMMISSIONER LA ROSA: All right. Thank you.  
22             No further questions from, me Madam Chair.

23             CHAIRMAN SMITH: Thank you.

24             Commissioner Ortega.

25             COMMISSIONER ORTEGA: Thank you. And thank

1           you, Mr. Cox.

2           I just want to pick up a little bit from where  
3           Commissioner La Rosa left off and get to the  
4           customer benefits. And forgive me, I know you went  
5           through them in your summary, but could you just  
6           high level tell me what should we consider as the  
7           customer benefits for you guys consolidating? What  
8           would you ask us to look at?

9           THE WITNESS: Yeah. So one of my favorite  
10          parts about this job is we are taking Wall Street  
11          money and putting it to work on Main Street  
12          America, right. And you think about the systems  
13          before you today, you know, we have spent tens of  
14          millions of dollars doing repair and work that  
15          never would have been brought to these systems,  
16          brought a bunch of systems into compliance that  
17          have never been in compliance, haven't been in  
18          compliance for decades, right. We have \$50 million  
19          more projects planned for these systems, right.  
20          And that's plant replacements for five wastewater  
21          plant, and then we have -- Florida happens to be  
22          one of our states with the highest amount of PFAS,  
23          so those are the, you know, forever chemicals in  
24          the water that are now regulated by the EPA. So we  
25          have about \$6 million of PFAS remediation projects

1           that are slated. We are about to start doing  
2           engineering on that in the next year or so, kind of  
3           keep in line with the EPA's timeline for bringing  
4           those systems back into compliance.

5           I will tell you, first and foremost, these  
6           systems would never be able to attract \$80 million  
7           of capital, \$90 million of capital without  
8           consolidation and without a path forward with the  
9           Commission. So they would never have been brought  
10          back into compliance.

11          Two, you know, from an engineering expertise  
12          standpoint, you know, we have taken I think 550  
13          systems, water and wastewater systems, domestic  
14          systems, from noncompliance to compliance. That's  
15          the largest movement by any single entity since the  
16          passage of Clean Water Act.

17          So I will just tell you, no one knows small  
18          water and wastewater systems he better than we do,  
19          and we really focus on doing rehabilitation rather  
20          than replacement.

21          Now, a lot of our, you know, larger water and  
22          wastewater companies that hire giant engineering  
23          firms, they just want to do plant replacement,  
24          right. And we look at the world, we know customer  
25          impacts are huge. I mean, you know, we love what

1           we do. We don't run on love, so we wish we could  
2           this for free. It would be an awesome job, and I  
3           wouldn't have to be on the witness stand, but, you  
4           know, we have -- it takes money to do this and  
5           so --

6           MR. WATROUS: Objection. Narrative.

7           CHAIRMAN SMITH: Sustained, but, yeah, that --  
8           that's okay, just keep going.

9           THE WITNESS: Yeah, so, you know, I would tell  
10          you, you know, we have done -- we do a great job of  
11          turning these around at the lowest price per  
12          gallon, and so that's another big benefit we bring  
13          to bear.

14          You know, third, from consolidating financial,  
15          environmental, health and safety, operational, you  
16          know, all these systems get the benefits, even if  
17          they are small on an individual basis, they get the  
18          corporate benefits of a highly experienced and  
19          highly technically trained staff.

20          And then third, on the customer service piece,  
21          you know, none of these customers -- most of these  
22          customers didn't have on-line bill pay, things we  
23          all just take for granted, you know, boil water  
24          notices that are, you know, posted on-line, those  
25          kind of things, you know, we bring that to bear the

1 day we close.

2 So there are a ton of benefits I believe we  
3 bring to these customers.

4 COMMISSIONER ORTEGA: Thank you. Just another  
5 question.

6 I heard in the opening statement discussion  
7 about the land purchases, and maybe changing costs,  
8 or continue to update costs as they are incurred,  
9 and specifically about adding easements as maybe a  
10 reason to update the costs. Is that something you  
11 could speak to? Is there a better witness for me  
12 to ask questions around that topic area?

13 THE WITNESS: I can give you a high level  
14 answer, and then witness Thies would be the guy to  
15 ask on that.

16 So, first of all, Florida requires us to  
17 provide all the property records and easements to  
18 be able to access all the assets that we own. I  
19 mean, that's part of an application progress, an  
20 acquisition process, so we have to have all of  
21 that. And a lot of these systems don't have that.  
22 We are having to do the easement work ourselves,  
23 work through title and property issues, and all of  
24 that is real property that's associated with the  
25 plants, right, and associated with the utility

1 conveyance and distribution systems.

2 So it's really, from our perspective, it's  
3 very easy. This land is part and parcel of running  
4 these utilities. I mean, one of the things I never  
5 realized starting a utility company is what a giant  
6 property company we have become, and I think that's  
7 just -- that's necessary.

8 I would say, you know, we were really  
9 disappointed to get this kind of last minute, you  
10 know, change, like, an errata change, we didn't get  
11 a chance to respond to, everyone has had this  
12 information for a very long time, so it was  
13 frustrating for us. But I would just say, the land  
14 and land values are normal across the entire  
15 country for almost all the systems we buy.

16 COMMISSIONER ORTEGA: And then just more  
17 question, if I may.

18 CHAIRMAN SMITH: Sure.

19 COMMISSIONER ORTEGA: Switching over -- and  
20 again, if there is another witness, please direct  
21 me. Switching over to the lobbying expense, is  
22 there a benefit that you would identify for us for  
23 the customers to pay one of the national  
24 associations that I saw referenced in your  
25 testimony?

1           THE WITNESS: Yeah. So the two lobbying  
2           expense I believe are AWWA, the American Water  
3           Works Association, and the National Association of  
4           Water Companies are the two expenses that they are  
5           trying to throw out.

6           I would say that it's a shared resource. I  
7           mean, AWWA is creating standards for, you know,  
8           water and wastewater systems, creating standards  
9           for distribution requirements. They are the ones  
10          that are helping all the water and wastewater  
11          utilities, that's municipal, you know, nonprofit  
12          and for profit. We are all part of the same thing,  
13          trying to figure out best practices for water and  
14          wastewater operations, those kind of things. So  
15          you each benefit there.

16          From the National Association of Water  
17          Companies, I mean -- so they were the organization  
18          that originally brought LIHWAP to bear, which  
19          during COVID was kind of the rate relief that  
20          customers benefited for -- from during the height  
21          of the pandemic. They are working on issues like  
22          CERCLA.

23          You know, for us, you know, PFAS -- and this  
24          is for all the wastewater utilities in the country,  
25          we are passive receivers of PFAS. These are, you

1 know, this is military, aviation. This is you  
2 know, previous chemical manufacturing, those kind  
3 of things, and what they are lobbying before the  
4 federal government is that we shouldn't be  
5 responsible for the handling costs, because our  
6 customers shouldn't be responsible for this.

7 You know, we got this stuff that was put in  
8 the water. Florida is a unique situation because  
9 your aquifer is very shallow and interconnected, so  
10 a little bit of PFAS, because the requirements for  
11 PFAS are very, very low, it's in the parts per  
12 trillion. So any intrusion in the water system  
13 kind of become ubiquitous. And so those kind of  
14 things are very beneficial for customers in the  
15 long run.

16 COMMISSIONER ORTEGA: Thank you. That's all  
17 my questions.

18 CHAIRMAN SMITH: Thank you.

19 Commissioner Payne.

20 COMMISSIONER PAYNE: Thank you, Chair.

21 I wanted to follow up a little bit on  
22 Commissioner La Rosa's question with regard to the  
23 positive acquisition. You go in, there is  
24 certainly a book value most likely on most of these  
25 utilities, and you have purchased many throughout



1           the country. How do you discern what's a proper  
2           book value with regard to your three-legged stool  
3           question and what you are going to pay for that  
4           utility?

5           THE WITNESS: Yeah, so first of all,  
6           Commissioner, I appreciate the question.

7           We start with \$1. So that's what we really  
8           do. I mean, you know, we are trying -- and you  
9           will see even in Florida we paid \$1 for some  
10          systems, right. So that is the first -- that is  
11          the first, you know, leg of the deal.

12          From there, we are trying to understand, you  
13          know, the owner's motivations, right. So in, you  
14          know, some places, I think Sunshine, right, I think  
15          there was four or five family members who were on  
16          the payroll there, operators, bookkeepers, you  
17          know, that kind of thing. I have been to their  
18          office, they all have trucks, insurance, you know,  
19          all these things, even if it's a failed utility.

20          And from, if you think about it, it met the  
21          definition of non-viability because it was running  
22          at a net operating loss, according to the annual  
23          report. But at the same time, the benefits enured  
24          by the company to the family were high, right. So  
25          we are trying to figure out what is the lowest cost

1           we can pay. Then we look at the assets, the books  
2           and records are always bad on these assets, right.  
3           So their historical accounting records are  
4           terrible.

5           I would say in Florida, in particular, because  
6           you guys have this annual CPI inflation adjuster,  
7           people are constantly expensing everything when  
8           they probably should have capitalized some of that  
9           because they are trying to raise that CPI adjuster  
10          to get more revenue on an annual basis.

11          So we actually don't believe the books and  
12          records. Like, I think the net book value is  
13          understated from their perspective, so we do  
14          property appraisals. But basically we look at --  
15          we know what things cost per connection across the  
16          country, and we are not -- we are trying to pay  
17          less than that all the time, and that's really how  
18          we get to a negotiated value with an owner.

19          COMMISSIONER PAYNE: So a follow-up. What  
20          would be an indicator or indicators of a utility  
21          service you would not purchase?

22          THE WITNESS: Yeah, I mean, you know, people  
23          want astronomical amounts for their system on a per  
24          customer basis. You know, if someone wants \$4,000  
25          per customer, we would say no way, right.

1           There are some systems occasionally -- you  
2           know, we do median income analysis using median  
3           house value too, so future rate impacts on  
4           customers. We are trying to -- making sure we have  
5           solid middle class neighborhoods we are trying.

6           So sometimes a per customer cost is so high,  
7           we are like, hey, this is like -- this is a  
8           government grant or something like this, we can't  
9           step into the situation is another way we look at  
10          that as well.

11          COMMISSIONER PAYNE: Okay. Last question. Is  
12          it a corporate philosophy not to hire your own --  
13          hire employees in Florida, or do you use corporate  
14          employees for universal?

15          THE WITNESS: We actually have Florida  
16          employees. So we have four operational staff here,  
17          so we do both. We have centralized staff at the  
18          corporate office, then Florida employees as well.

19          COMMISSIONER PAYNE: So as far as the utility  
20          itself, you -- but you don't have -- you said you  
21          don't have employees in Florida, you have no  
22          employees working at the utility itself?

23          THE WITNESS: We do. We do have -- we do have  
24          Florida employees. We just don't have a customer  
25          service --

1 COMMISSIONER PAYNE: Okay.

2 THE WITNESS: -- our customer service folks  
3 was the question I was asked. They are based,  
4 yeah, the escalation staff is all based in  
5 Missouri.

6 COMMISSIONER PAYNE: Thank you.

7 CHAIRMAN SMITH: Any other he questions?  
8 All right. Redirect?

9 MR. WOODSMALL: Thank you, Your Honor. Very  
10 briefly.

11 FURTHER EXAMINATION

12 BY MR. WOODSMALL:

13 **Q You were asked some questions by OPC about**  
14 **customer service, do you recall that?**

15 A Yes.

16 **Q And can you tell me how CSWR provides customer**  
17 **service to Florida customers?**

18 A Yes. So we have -- we actually have a call  
19 center that we contract with. Then we have a number of  
20 personnel, internal CSWR personnel that deal with  
21 escalations that kind of move through the CSWR chain, if  
22 you will, to make sure we are handling customer, you  
23 know, issues, emergencies. Then we have our operational  
24 staff that, you know, drive -- that dispatch trucks to,  
25 you know, whatever situation is happening. And then we

1 also have our communications staff that is based in the  
2 corporate office that does all the individual community  
3 communication.

4 **Q And that customer service function exists on a**  
5 **centralized basis at CSWR, is that correct?**

6 A That's correct.

7 **Q And do you believe that leads to cost savings?**

8 A Yes, very high cost savings.

9 **Q You were asked some questions by Commissioner**  
10 **La Rosa about the acquisition process. Do you recall**  
11 **those?**

12 A Yes.

13 **Q And can you tell me what is the importance of**  
14 **actually getting operational experience to the capital**  
15 **plan?**

16 A Yeah, so, you know, you have an outside or a  
17 third-party engineer come in and look at a plant, and  
18 they say, oh, this plant is shot. It's, you know, 20  
19 years old. We are just going to scrap it and you should  
20 do a grand new plant. Well, we have seen over and over  
21 again, once we get in, we do a bunch of cleanup --

22 I mean, think about it, it's crazy stuff we  
23 get. Like, Rolling Oaks, they had a homeless camp on  
24 the wastewater plant site. You know, all of this  
25 vandalism, all of this crazy stuff, you know, none of

1 the filter screens were working.

2 So we clear the homeless camp. We take, you  
3 know, 10 dump trucks worth of trash and debris out of  
4 the plant. We replace the diffusers and we start to  
5 realize that, hey, this plant, if we do some structural  
6 reinforcement, we can actually work with and get it back  
7 in compliance and not have to do plant replacement. So  
8 the operational experience gives us a chance to lower  
9 our future capital costs.

10 **Q So you would agree that operational experience**  
11 **often leads to cost savings as compared to the**  
12 **engineering memo?**

13 A Yes.

14 **Q You were asked some questions by Commissioner**  
15 **La Rosa about communication with customers. Do you**  
16 **recall that?**

17 A Yes.

18 **Q Can you tell me how corporate communications**  
19 **is handled? Is that a Florida specific function?**

20 A No. We have a centralized function that  
21 handles every single Florida system.

22 **Q And do you believe that that results in cost**  
23 **savings, centralizing that function?**

24 A Absolutely. I mean, I think we have 12  
25 different people versus a centralized staff doing that.

1           **Q     You were asked some questions by Commissioner**  
2     **Ortega, and you dropped the acronym LIHWAP. Can you**  
3     **tell me what -- you don't have to give me what it stands**  
4     **for because I never remember, but what does that do?**  
5     **What is LIHWAP?**

6           **A     Low Income Water Assistance Program. And**  
7     **really it was to -- for customers who got in appears**  
8     **during COVID, it was a federal program to top off the**  
9     **utilities to pay off those arrearages so those customers**  
10    **were not responsible for that during a time of potential**  
11    **unemployment.**

12          **Q     And NAWC helped pushed for that program, is**  
13    **that correct?**

14          **A     That is correct.**

15          **Q     And that's beneficial to customers?**

16          **A     Absolutely.**

17          **Q     Finally, you were asked some questions by**  
18    **Commissioner Payne, and you indicated that CSWR now has**  
19    **some centralized -- or has some operators in Florida, is**  
20    **that correct?**

21          **A     That is correct.**

22          **Q     And when did that occur?**

23          **A     March 1st is when we took operations in-house**  
24    **here in the state of Florida.**

25          **Q     So well outside the test year in this case?**

1           A     That's correct.

2                   MR. WOODSMALL: Thank you, Your Honor. I have  
3 no further questions.

4                   CHAIRMAN SMITH: All right. Thank you.

5                   We will now move those exhibits into the  
6 record.

7                   MR. WOODSMALL: Your Honor, I would move for  
8 the admission of Exhibits JC-1 and JC-2 attached to  
9 the direct testimony of Mr. Cox.

10                  MS. HELTON: Madam Chairman, I think the  
11 record will be much better and much cleaner --

12                  CHAIRMAN SMITH: Yeah.

13                  MS. HELTON: -- if we can call the exhibits by  
14 their CEL number, so that would be 78 and 79.

15                  CHAIRMAN SMITH: Right.

16                  MR. WOODSMALL: And I will do that going  
17 forward.

18                  I move for the admission of Exhibits 78 and  
19 79. Thank you.

20                  CHAIRMAN SMITH: Thank you.

21                  Any objection? All right. Seeing none,  
22 Exhibits 78 and 79 will be entered into the record.

23                  (Whereupon, Exhibit Nos. 78 & 79 were received  
24 into evidence.)

25                  CHAIRMAN SMITH: Okay. You may be excused,



1 Mr. Cox, for now.

2 THE WITNESS: Thank you.

3 CHAIRMAN SMITH: We will see you later for  
4 rebuttal.

5 All right. You may -- CSWR, you may call your  
6 next witness.

7 MR. WOODSMALL: Thank you, Your Honor. CSWR  
8 calls Mr. Jake Freeman.

9 Whereupon,

10 JAKE FREEMAN

11 was called as a witness, having been previously duly  
12 sworn to speak the truth, the whole truth, and nothing  
13 but the truth, was examined and testified as follows:

14 MR. WOODSMALL: May I proceed?

15 CHAIRMAN SMITH: Yes.

16 MR. WOODSMALL: Thank you.

17 EXAMINATION

18 BY MR. WOODSMALL:

19 **Q Mr. Freeman, have you previously been sworn?**  
20 **Is the green light on?**

21 CHAIRMAN SMITH: You had it right the first  
22 time.

23 THE WITNESS: Yes, I have.

24 BY MR. WOODSMALL:

25 **Q Would you please state your name and business**

1     **address for the record?**

2           A     Yes.   Jacob Freeman, and the address is 1630  
3     Des Peres Road in St. Louis, Missouri, 63131.

4           **Q     What is your position with CSWR-Florida?**

5           A     I am the engineering director.

6           **Q     Did you prepare and cause to be filed prefiled**  
7     **testimony, both direct and rebuttal, in this proceeding?**

8           A     Yes, I did.

9           **Q     And do you have that prefiled direct and**  
10    **rebuttal testimony before you today?**

11          A     Yes, I do.

12          **Q     Do you have any corrections or revisions to**  
13    **either of those pieces of testimony?**

14          A     No, I do not.

15          **Q     If I were to ask you the same questions that**  
16    **are contained therein, if I asked you that today, would**  
17    **your answers be the same?**

18          A     Yes, it would.

19                MR. WOODSMALL:  Madam Chair, I would ask that  
20                the prefiled testimony, both direct and rebuttal,  
21                of Mr. Freeman be inserted into the record as  
22                though read today.

23                CHAIRMAN SMITH:  So moved.

24                (Whereupon, prefiled direct testimony of Jake  
25     Freeman was inserted.)

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application for increase in water and )  
wastewater rates in Brevard, Citrus, Duval, ) DOCKET NO. 20250052-WS  
Highlands, Marion, and Volusia Counties by )  
CSWR-Florida Utility Operating Company, LLC. )  
\_\_\_\_\_ )

**DIRECT TESTIMONY OF**

**JACOB FREEMAN**

**on behalf of**

**CSWR-Florida Utility Operating Company, LLC**

**I. INTRODUCTION**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Jacob Freeman. My business address is 1630 Des Peres Road, Suite 140, St. Louis, Missouri, 63131.

**Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am Director of Engineering of CSWR, LLC (“CSWR”), the parent company responsible for providing management services and oversight to CSWR Florida Utility Operating Company, LLC (“CSWR Florida” or “Company”), and all its affiliated utility operating companies. More specifically, I oversee all engineering, surveying, and facility construction for all CSWR-affiliated water and wastewater utilities. I also oversee ongoing capital upgrades for all CSWR-affiliated water and wastewater utilities.

**Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN CSWR AND CSWR FLORIDA.**

A. CSWR is a holding company that, as of May 1, 2025, operated affiliated utility operating companies in eleven states. CSWR Florida is the CSWR utility operating company in the State of Florida. On behalf of all its affiliates, CSWR provides a host of services, including general management, accounting, finance and capital acquisition, legal, engineering, and construction planning and management.

**Q. ON WHOSE BEHALF ARE YOU FILING THIS DIRECT TESTIMONY?**

A. I am filing this testimony on behalf of CSWR Florida.

**Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL BACKGROUND.**

A. I hold a Bachelor of Science degree in Mechanical Engineering from the University of Missouri - Columbia. I am a licensed Professional Engineer in the states of Missouri,

1 Illinois, and Kansas.

2 Before joining CSWR in January 2019, I was employed for two years by  
3 Corrigan Mechanical, a design-build mechanical contractor in St. Louis, Missouri. In  
4 that position my responsibilities included designing, estimating, and managing  
5 plumbing, HVAC, and process piping construction projects in Missouri and southern  
6 Illinois. After leaving that position, I spent eleven years performing similar tasks for  
7 Brotcke Well and Pump, one of the Midwest's largest well and pump service  
8 contractors, servicing wells and water treatment equipment throughout Missouri,  
9 Illinois, Kentucky, and Kansas. Immediately before leaving Brotcke, I served as Vice  
10 President and Principal in charge of all the company's engineering services. I also  
11 managed Brotcke's regional office in Kansas City, Kansas.

12 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE STATE PUBLIC UTILITY**  
13 **COMMISSIONS?**

14 A. Yes. I have testified before the state utility commissions in Missouri, Kentucky,  
15 Louisiana, Mississippi, Tennessee, and Texas.

16 **Q. PLEASE DESCRIBE THE SCOPE OF YOUR TESTIMONY.**

17 A. The Commission has authorized CSWR Florida to make eleven separate acquisitions  
18 that encompass 38 different systems, which break down into 29 drinking water and 9  
19 wastewater systems. My testimony will (1) identify each of the acquired systems that  
20 are part of the current rate case, (2) describe the condition of each of those systems at  
21 the time of acquisition, (3) describe and discuss each system's pre-acquisition history  
22 of compliance with applicable health, safety, and environmental regulations, (4)  
23 describe the work CSWR Florida has done to date to upgrade and improve each system,  
24 and (5) describe the Company's longer-term plans for upgrades and improvements  
25 required at each system.

1 **Q. ARE YOU SPONSORING ANY EXHIBITS.**

2 A. Yes. I am co-sponsoring, along with witnesses Brent Thies, Aaron Silas and Todd  
3 Thomas, the following exhibits:

4 **Exhibit JF-1:** E-6 Schedules (Public Fire Hydrants Schedule) of MFR Volume I

5 **Exhibit JF-2:** E-7 Schedules (Private Fire Protection Service) of MFR Volume I

6 **Exhibit JF-3:** F-2 Schedules (Gallons of Wastewater Treated in Thousands of Gallons)  
7 of MFR Volume I

8 **Exhibit JF-4:** F-3 Schedules (Water Treatment Plant Data) of MFR Volume I

9 **Exhibit JF-5:** F-4 Schedules (Wastewater Treatment Plant Data) of MFR Volume I

10 **Exhibit JF-6:** F-5 Schedules (Used and Useful Calculations-Water Treatment Plant)  
11 of MFR Volume I

12 **Exhibit JF-7:** F-6 Schedules (Used and Useful Calculations-Wastewater Treatment  
13 Plant) of MFR Volume I

14 **Exhibit JF-8:** F-7 Schedules (Used and Useful Calculations-Water Distribution and  
15 Wastewater Collection Systems) of MFR Volume I

16 **Exhibit JF-9:** F-8 Schedules (Margin Reserve Calculations-Water and Wastewater) of  
17 MFR Volume I

18 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR YOUR STAFF UNDER**  
19 **YOUR SUPERVISION AND CONTROL?**

20 A. Yes.

21 **A. North Peninsula Wastewater**

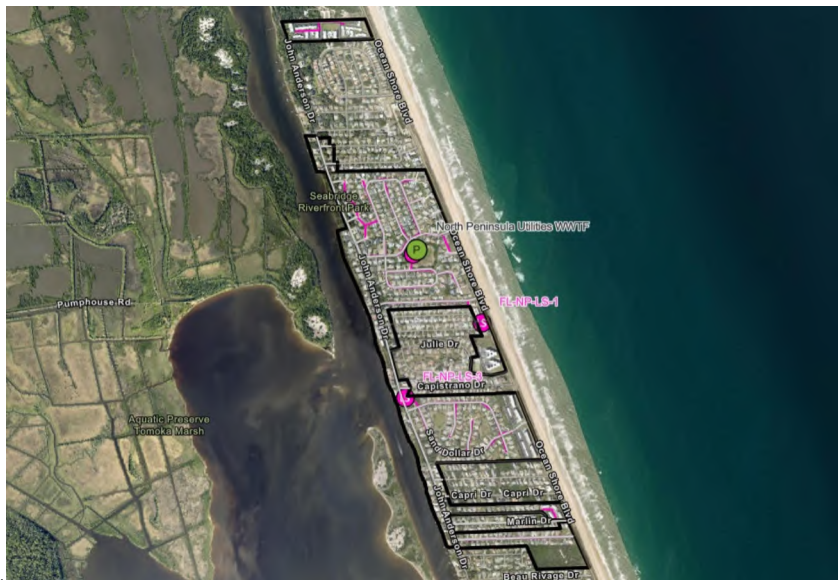
22 **Q. PLEASE DESCRIBE NORTH PENINSULA WASTEWATER AS IT EXISTED**  
23 **AT ACQUISITION.**

24 A. The North Peninsula wastewater system is a wastewater treatment facility and  
25 collection system that serves 615 equivalent residential connections (“ERCs”) in a

1 subdivision near Ormond Beach in Volusia County. The wastewater treatment plant is  
 2 permitted to treat an average daily flow of 210,000 GPD. CSWR Florida acquired the  
 3 facility in May 2022.

4 The treatment plant consists of three package plants; a concrete plant serving as  
 5 flow equalization and two steel plants providing primary treatment. The structures of  
 6 all three package plants making up the facility were in poor condition and related  
 7 treatment equipment is in similarly poor condition. Prior to acquisition the facility  
 8 faced a regular history of compliance issues and enforcement action from the Florida  
 9 Department of Environmental Protection (“FDEP”).

10 The photos below show an aerial view of the North Peninsula wastewater  
 11 treatment facility and some of the system’s components.



12  
 13 *Aerial view of the North Peninsula Community.*



1

2

*Aerial view of the North Peninsula Treatment Facility.*





1



2

3        *The two steel (“Plant 1” top left and “Plant 3” right) and concrete (“Plant 2” bottom)*  
 4        *package plants making up the treatment facility at acquisition. Note poor condition of all*  
 5        *steel equipment, tanks, and structures.*



6

7        *Rapid infiltration basins at time of acquisition. Note accumulation of solids, ponding*  
 8        *effluent, and vegetation overgrowth indicating dysfunction and poor maintenance.*

1 Q. PLEASE PROVIDE A SUMMARY OF THE NORTH PENINSULA  
2 WASTEWATER SYSTEM'S COMPLIANCE HISTORY UNDER PREVIOUS  
3 OWNERSHIP.

4 A. Under previous ownership the North Peninsula wastewater treatment system had a  
5 history of noncompliance and enforcement actions from FDEP. In the five years  
6 leading up to acquisition by CSWR Florida this included repeated enforcement actions  
7 concerning issues with the facility that the previous owners failed to address to the  
8 satisfaction of FDEP. Enforcement actions during this five-year period were as  
9 follows:

10 In May 2017 FDEP sent a letter to the previous owners that proposed a  
11 "Compliance Assistance Offer" letter designed to address several incidences of non-  
12 compliance observed during a March 7, 2017, inspection. Violations specifically noted  
13 in that letter included:

- 14 • Failure to keep current reduced pressure zone ("RPZ") certification onsite;
- 15 • Failure to keep current flow calibrations onsite;
- 16 • Repeated fecal coliform exceedances (identified as "Significantly Out of  
17 Compliance"); and
- 18 • Fencing around the effluent ponds is in disrepair meaning the facility is not  
19 completely enclosed.

20 To allow the owner to avoid the issuance of formal citations, FDEP's letter  
21 instructed North Peninsula's owner to respond by providing information regarding  
22 steps taken to remedy the observed deficiencies and bring the system into compliance.  
23 To further assist the system owner, the letter provided contact information for  
24 department personnel who could answer questions and an offer to arrange for the FDEP  
25 case manager to re-visit the facility and discuss specific items of concern.

1           On October 13, 2017, FDEP sent a follow-up notice, which it designated as a  
2           “Warning Letter,” because the owner of the North Peninsula system failed to respond  
3           to the Compliance Assistance Offer sent in early May. The letter instructed North  
4           Peninsula to contact FDEP within ten (10) days to arrange a meeting to discuss the  
5           previously identified violations. The letter also warned North Peninsula that failure to  
6           address those violations “may result in liability for damages and restoration, and the  
7           imposition of civil penalties.”

8           In March 2018, during the permit renewal process, FDEP sent North Peninsula  
9           a request for information regarding required improvements to a long-term sludge leak  
10          identified during the previous permit period. Specifically, the letter cited North  
11          Peninsula for failing to include adequate plans to complete the improvement in its  
12          permit renewal application. In a follow-up letter sent approximately two months later,  
13          FDEP noted North Peninsula had failed to reply to the agency’s request for additional  
14          information regarding plans to remediate the sludge leak, and as a result would face  
15          inspection and a formal Consent Order to address deficiencies at the facility.

16          In July 2018, FDEP issued a Consent Order, which cited numerous compliance  
17          violations at the North Peninsula facility. Issues identified in the Consent Order  
18          included:

- 19          • Failure to properly operate and maintain the wastewater treatment facility;
- 20          • Failure to submit required groundwater monitoring reports for the third and fourth  
21          quarters of 2017;
- 22          • Failure to monitor wells for Sodium in violation of one of the conditions specified  
23          in North Peninsula’s operating permit; and
- 24          • Failure to properly address chloride exceedances in monitoring wells in violation  
25          of another operating permit condition.

1           The Consent Order obligated North Peninsula to institute numerous specifically  
2 identified corrective actions within prescribed time periods. In addition, because the  
3 utility's facilities were in such a significant state of deterioration and disrepair, North  
4 Peninsula was required to "[i]mmediately implement preventive measures to ensure  
5 system failure does not occur due to deteriorating facility components while the  
6 process of reconstruction is under way."

7           On April 28, 2021, FDEP issued another Warning Letter related to deficiencies  
8 the agency identified during an inspection earlier that month. In its letter, the FDEP  
9 identified the following deficiencies/violations at North Peninsula:

- 10       • Insufficient staffing by an appropriately certified operator;
- 11       • Excessive odors emanating from the facility; and
- 12       • Excessive vegetation at the facility's Rapid Infiltration Basin.

13           As with the previously issued Warning Letter, North Peninsula was instructed  
14 to contact FDEP to arrange a meeting to discuss the identified deficiencies and  
15 violations and was advised that failure to address those matters could result in further  
16 agency action.

17           Independent of the previously described actions by FDEP, in September 2020,  
18 the Volusia County Growth and Resource Management Department conducted its own  
19 routine inspection of the North Peninsula facility. In its written inspection report, the  
20 county noted numerous "unsatisfactory conditions" identified during that inspection.  
21 Those included:

- 22       • Logbook entries indicating insufficient staffing by an appropriately certified  
23 operator;
- 24       • Rapid Infiltration Basins contained excessive solids and vegetation;
- 25       • Major deterioration of treatment plant structures; and

- Non-functional traveling sludge returns.

Because of continued and additional violations at the North Peninsula system, in August 2021 FDEP issued a new Consent Order, this time aimed at compelling compliance and improvements at the wastewater treatment facility. Violations cited in the new order included the following:

- Failure to complete by the required date (December 31, 2018) the “Improvement Action” listed in the facility’s current permit, including adding concrete pads around monitoring wells, repairing or replacing risers, removing vegetation in the well area, providing locked well caps, and labelling wells.
- Failure to address significant corrosion issues in both internal and external walls of steel plants 1 and 3 as well as in the master lift station pump;
- Failure to address objectionable odors beyond the boundaries of the facility;
- Failure of the facility operator to fulfill required site time of 3 hours per day, 5 days per week in addition to a weekend visit. In addition, the facility’s lead/chief operator must be a Class C operator or higher; and
- Excessive vegetation in the effluent disposal area.

Finally, in May 2022, shortly after CSWR Florida closed on its acquisition of the North Peninsula system, FDEP issued another Notice of Violation. This notice resulted from, and pertains to, deficiencies FDEP identified in the North Peninsula system in 2021 – many months before it was acquired by CSWR Florida – and appears to have been issued because North Peninsula’s prior owner failed to address deficiencies and violations FDEP previously noted. Items providing the basis for the May 2022 Notice of Violation include:

- Failure to maintain adequate facility staffing;
- Failure to control foul odor emanating from the facility;

- Failure to properly maintain Rapid Infiltration Basins;
- Failure to address corrosion of critical facilities; and
- Failure to properly maintain groundwater monitoring wells.

Although all conditions that led to this Notice of Violation relate to the period before CSWR Florida acquired the North Peninsula system, CSWR-Florida will be required to remediate all the violations FDEP identified and bear all associated costs.

**Q. PLEASE PROVIDE AN OVERVIEW OF THE CONDITION AND ISSUES OF THE NORTH PENINSULA WASTEWATER SYSTEM WHEN IT WAS ACQUIRED BY CSWR FLORIDA.**

**A.** As was discussed in the summaries of enforcement action against the North Peninsula system under previous ownership, the wastewater treatment plant was in extremely poor condition at the time of acquisition. All three package plants that make up the facility are in failing condition. Both steel plants have been repeatedly repaired, but with negligible effect on the overall condition of the tanks, which continue to have leaks and exhibit bowing walls. The concrete tank has experienced a wall failure, which resulted in the release of wastewater since CSWR Florida took ownership. Each of these package plants has reached the end of its useful life and further repairs will not significantly extend the life or meaningfully remedy each plant's problems. The previous ownership's attempt at repairs failed to address the deteriorating condition of the facility, as evidenced by the repeated enforcement action demanding more adequate repairs to the treatment infrastructure. While the plant did not often violate permitted limits (with the exception of chloride levels in the groundwater monitoring and anecdotal observations of discolored effluent by CSWR Florida's third-party engineers that have not been captured in DMR sampling), the overall deteriorating condition puts North Peninsula facility at risk of catastrophic failure, which would cause service



1 interruption to customers and result in environmental damage. This demonstrates an  
2 ongoing failure to adequately reinvest in the treatment plant to offset deterioration and  
3 ensure reliable wastewater treatment.

4 **Q. DO YOU HAVE PHOTOS SHOWING THE POOR CONDITION OF THE**  
5 **WASTEWATER ASSETS AT ACQUISITION?**

6 A. Yes. Please see the photos below.



7

8 *Poor condition of blowers at acquisition with signs of rodent nesting.*



9



10

11 *Examples of steel tanks and equipment deterioration at close and examples of the numerous*  
12 *poorly installed welded patches on the tanks.*



*Examples of cracking and exposed rebar in concrete tanks.*



*Discolored effluent and floating sludge at discharge at acquisition, indicating poor treatment.*



*Examples of overgrowth of rapid infiltration basins.*

Q. PLEASE DISCUSS CSWR FLORIDA'S APPROACH TO REPAIRS, IMPROVEMENTS, AND UPGRADES FOR THE NORTH PENINSULA WASTEWATER SYSTEM.



1 A. The evaluation of the facility's condition made repairing the existing facility an  
2 inadequate long-term option for addressing compliance issues at the facility. Three  
3 options were evaluated to bring the facility into a condition which could ensure safe,  
4 reliable, environmentally responsible service to customers: (1) rehabilitation of the  
5 existing infrastructure, (2) total plant replacement, and (3) connection to a publicly  
6 owned treatment works for purchased treatment and decommissioning of the existing  
7 facility. Preliminary evaluation indicated that the tanks of the three treatment plants  
8 may be possible to repair, however, following acquisition more detailed evaluation  
9 showed the tanks were in worse condition than initially indicated. The steel tanks had  
10 undergone repeated repairs in the past but had reached the end of their useful lives,  
11 meaning further repair work would not yield significant extension of useful life. The  
12 concrete package plant being used for flow equalization was found to be in similarly  
13 poor condition, with cracked concrete and exposed rebar in many places. Indeed, that  
14 plant has experienced a catastrophic wall failure since its acquisition. These issues  
15 demonstrated that repairs to the existing facility were not a workable long-term  
16 solution.

17 The next option evaluated was total replacement of the treatment facility. This  
18 option would require the construction of a new lift station and trying to complete the  
19 construction of a new treatment plant while maintaining operations of the existing  
20 facility to prevent interruption in wastewater service. The construction would then be  
21 followed by the decommissioning and removal of the deteriorating package plants.  
22 Investigation of this option showed that while there is a large amount of open space  
23 near the facility, little of this property was included in the sale of the utility, and even  
24 if additional property could be acquired it would not meet the minimum setback  
25 requirements for separation between wastewater treatment infrastructure and

1 residential homes. Although the existing facility is situated beyond the minimum  
2 setback distance, construction of a new facility would require it to remain in service  
3 during the project to facilitate continued treatment of wastewater, and there is no  
4 location where a new facility could be constructed that would satisfy the setback  
5 requirements.

6 The remaining option was to seek to connect the system to a publicly owned  
7 treatment facility and convey untreated wastewater to another treatment facility for  
8 purchased treatment. This would also require construction of a new lift station and  
9 installation of a new force main to connect to the City of Ormond Beach's treatment  
10 facility, followed by the decommissioning of the existing treatment facility. A  
11 significantly lower capital cost (approximately \$2 million lower based on a preliminary  
12 third-party assessment) caused CSWR Florida to select this option as the best and most  
13 cost-effective long-term solution to resolve the noncompliance problems that have  
14 plagued the North Peninsula wastewater treatment facility.

15 Regardless of which of the first two options were selected, CSWR Florida  
16 determined an additional issue that would need to be addressed is the impact on a  
17 threatened species of wildlife (gopher tortoises) living in the rapid infiltration basins at  
18 the treatment facility. This would require either approved relocation of the tortoises  
19 during required construction activity or permitting and protection of the area occupied  
20 by the tortoises during construction activities. The costs associated with these measures  
21 further reduce the viability of either of the first two options.



1

2 *Protected Gopher Tortoise creating obstacles to regular operations, maintenance activities*  
 3 *and construction projects (pictured in rapid infiltration basin)*

4

5 Connecting to the City of Ormond Beach's facility will limit CSWR Florida's  
 6 future direct operations activities and costs to the collection system and lift station,  
 7 ensure all noncompliance issues concerning system effluent are resolved. It also will  
 8 ensure CSWR Florida can provide customers served by this system with safe and  
 9 reliable service.

10

11 This project cannot be immediately undertaken because of the need to design,  
 12 permit, bid, and construct the connection to the City's system. As a result, some  
 13 intermediate improvements are required at the existing treatment plant to keep it in an  
 14 operable condition until it can be properly decommissioned. These necessary interim  
 15 improvements fall into two general categories: immediate repairs and improvements  
 16 needed to continue to operate the facility currently, and the activities related to  
 17 connection to the City of Ormond Beach's facility and the planned decommissioning  
 18 of the existing North Peninsula treatment facility.

19 Q. **PLEASE DISCUSS IMPROVEMENTS COMPLETED TO DATE AT THE**  
 20 **NORTH PENINSULA WASTEWATER SYSTEM.**

A. CSWR Florida has made various interim improvements to the existing facility that were

required to keep the facility operational and to meet FDEP compliance requirements for the facility. The areas where repairs have been completed to date include the facility tanks, aeration equipment, disinfection systems, electrical equipment, monitoring equipment, solids handling equipment, rapid infiltration basins, collection system, and lift stations. In addition, CSWR Florida has conducted basic site cleanup and has made improvements to site safety. These are the bare minimum repairs necessary to maintain the operational status of the facility to, as much as possible, meet permit limits and ensure continuous service to customers while recognizing the facility ultimately will be decommissioned.

Repairs to tanks have been made to patch leaks and a temporary tank has been installed following the failure of the concrete package plant used for flow equalization. This is the bare minimum required to prevent ongoing releases of untreated or partially treated wastewater on the site.



*Example of patching leaks in steel tanks at North Peninsula (left) Temporary tank in place since concrete tank failure (right).*

Aeration system improvements have consisted of repairs and replacement of damaged air lines, diffusers, blowers, sludge returns, and installation of a sound dampening barrier around blowers following continued complaints regarding excessive

1 noise from the facility which began under previous ownership. The installation of the  
2 sound barrier was a requirement of the compliance agreements entered into by the  
3 previous ownership.



4  
5 *New temporary PVC aeration and sludge return lines throughout facility (left). Sound*  
6 *dampening shed installed around blowers (right).*

7 Disinfection system improvements consisted of repairing the chemical feed  
8 pump to ensure proper dosage and patching a leak in the chlorine contact chamber.



9  
10 *Repaired chemical feed pump.*

11 Repairs to the electrical system included repairs and replacements of failed  
12 panels, blower timers, pumps, breakers, and placement of a temporary generator on the  
13 site.





*Mobile generator placed temporarily at North Peninsula site.*

Improvements to monitoring systems included installation of remote monitoring equipment on collection system lift stations, replacement of various meters that had failed but are necessary for sampling requirements, repairs to a groundwater sampling well, and connection of equipment to the remote monitoring system. The remote monitoring unit installed at the treatment plant will be able to be moved to the new lift station that will convey wastewater to the City of Ormond Beach's system in the future.



*New remote monitoring units installed at the treatment plant (left) and lift stations (center).*

*New monitoring equipment including flow meter (right) installed at the treatment plant.*

Solids handling improvements consisted of replacement of return active sludge pumps and the decant pump for the digester. Maintenance of the rapid infiltration

1 basins included mowing and tilling the basins and replacing the discharge valve  
2 controlling flow from the plant to the rapid infiltration basins. Collection system  
3 repairs included completing a CCTV inspection to identify damaged lines, repairs to  
4 those lines, and repairs to damaged manhole rings to reduce inflow and infiltration of  
5 stormwater into the system. Improvements to lift stations have included replacement  
6 of damaged or poorly performing pumps, repairs to discharge lines, repairs to pump  
7 rails and chains, replacement of level transducers, and repairs to electrical and control  
8 systems. Discharge piping has been replaced on the main lift station as well.



9

10 *New discharge piping installed on lift station.*

11 Basic cleanup has included removing impacted sludge from the treatment  
12 basins of the facility, removing trash, debris, and nuisance vegetation from the site, and  
13 removing nuisance vegetation from lift station sites in the collection system. Safety  
14 improvements included repairs to stairs and catwalks over the treatment facility,  
15 installation of eyewash stations, and fencing repairs. These improvements were  
16 required to ensure the continued safe and reliable operation of the facility until  
17 secondary improvements can be completed.

18 Q. **PLEASE DISCUSS IMPROVEMENTS CSWR PLANS TO COMPLETE IN**  
19 **THE FUTURE AT THE NORTH PENINSULA WASTEWATER SYSTEM.**

1 A. As discussed above, the project selected to resolve the long-term compliance issues at  
2 the North Peninsula facility is to connect to the City of Ormand Beach for treatment  
3 and then decommission the existing facility, converting the system to a purchased  
4 treatment wastewater system. While all the treatment equipment will be removed  
5 during decommissioning process, portions of the rapid infiltration basins will be  
6 allowed to remain to facilitate the survival of the gopher tortoises who live in the basins.  
7 Permitting is underway to proceed with the project, however permitting has been  
8 delayed due to an upcoming road project that will involve the same right of way as the  
9 new force main. Even though the road project is not yet ready to begin, the Florida  
10 Department of Transportation (“DOT”) has been resistant to allowing the North  
11 Peninsula project to proceed until the road project is completed. Negotiation is ongoing  
12 to secure the required DOT permit so the wastewater connection project can proceed  
13 without further delay.

14 **B. Sebring Ridge Wastewater**

15 Q. **PLEASE DESCRIBE SEBRING RIDGE WASTEWATER AS IT EXISTED AT**  
16 **THE TIME CSWR FLORIDA ACQUIRED THE FACILITY.**

17 A. The Sebring Ridge wastewater system is a wastewater treatment facility and collection  
18 system serving 287 equivalent residential connections (“ERCs”) in Highlands County,  
19 FL. CSWR Florida closed on the Sebring Ridge wastewater system on August 31,  
20 2023.

21 Q. **PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE**  
22 **SEBRING RIDGE WASTEWATER SYSTEM WHEN IT WAS ACQUIRED.**

23 A. There were many issues with the Sebring Ridge wastewater facility’s condition left  
24 unresolved at the time it was acquired by CSWR Florida. The facility was in poor  
25 condition with many assets having reached the end of their useful lives and many others



1 having been poorly maintained or simply being inadequate to meet the demands of  
2 applicable regulatory standards. Issues regarding the condition of the Sebring Ridge  
3 system that CSWR Florida identified at the time of acquisition included the following:

- 4 • Rapid infiltration basin and percolation ponds overgrown with vegetation and  
5 show signs of sludge accumulation,
- 6 • Bottom of the percolation pond coincides with water table, which reduces its  
7 functionality,
- 8 • Disinfection chemicals were stored on an elevated tote for spill containment;  
9 also were exposed to sunlight, which causes accelerated breakdown of the  
10 disinfection chemicals,
- 11 • Existing handrails, catwalks, and stairs were in poor condition and were  
12 altogether missing in some areas,
- 13 • Electrical service in need of upgrade to facilitate required improvements in  
14 treatment,
- 15 • No remote monitoring units were present at treatment plant or lift stations,
- 16 • Deteriorating improvised shade structure over blower system,
- 17 • Failing blower controllers and blowers in poor condition with only one blower  
18 functional
- 19 • Return active sludge/waste active sludge (“RAS/WAS”) piping in poor  
20 condition,
- 21 • Access road and gravel at site in poor condition; gravel has washed out over  
22 time and vegetation growth is present,
- 23 • All aeration equipment (blowers, aeration piping, air headers, drop legs,  
24 diffusers, etc.) were in poor condition and could not reliably treat wastewater

1 to permit limits,

- 2 • The existing aeration system was not adequate to run main aeration basins and
- 3 digester; digester lacks the means to decant to reduce water content,
- 4 • Facility incapable of treating to new phosphorus limits,
- 5 • Nuisance solids were accumulating in treatment basins, harming equipment and
- 6 treatment processes,
- 7 • Lift stations were in poor condition, with a majority of the pumping, rail, and
- 8 piping infrastructure in need of replacement due to age and lack of maintenance.
- 9 • Lift stations lacked means to connect emergency power (generator quick
- 10 connects and manual transfer switches) or emergency pumps (bypass pumping
- 11 lines) so there was no existing means to operate them in the event of pump
- 12 failure or power outage,
- 13 • Perimeter fencing was in poor condition and in need of replacement,
- 14 • Smoke testing and collection system repairs were required as part of permit
- 15 renewal under previous ownership but were never completed.

16 Q. **DO YOU HAVE ANY OVERVIEW PHOTOS OF THE SEBRING RIDGE**  
17 **WASTEWATER SYSTEM?**

18 A. Yes, the photos below show an aerial view of the Sebring Ridge facility and photos of  
19 some of its system components.



1

2

*Aerial view of the Sebring Ridge community (left) and of the wastewater treatment facility (right).*



3

4

*Sebring Ridge treatment basins at acquisition.*

5 Q.

**PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY OF THE SEBRING RIDGE SYSTEM UNDER PREVIOUS OWNERSHIP.**

6

7 A.

The Sebring Ridge wastewater treatment plant has a long history of noncompliance with FDEP rules and regulations. A review of compliance documents for the five-year period preceding the system's acquisition by CSWR Florida shows the facility repeatedly received warning letters, inspection reports noted noncompliance that must be addressed and calls for corrective action that included compliance schedules. The record also shows mixed results on follow-through by the utility's previous owner. None of these enforcement actions were fully closed out as of CSWR Florida's

10

11

12

13

1 acquisition because some of the items highlighted by FDEP were left unaddressed.  
2 Items noted in the various letters include failures to comply with compliance schedules  
3 included as part of the permitting process; failure to properly maintain system  
4 components, including rapid infiltration basins, alarm systems on lift stations,  
5 clarifiers, and aeration and wastewater piping; modifications to system components and  
6 treatment process without proper permitting (e.g. conversion of an aeration basin into  
7 additional sludge holding); failure to maintain a copy of the operations and  
8 maintenance manual on site; failure to meet new total nitrogen limits; failure to  
9 complete engineering reports in association with the statewide total nitrogen Agreed  
10 Order; failure to maintain equipment calibration and calibration logs; and various issues  
11 regarding sample procedure and documentation. Although the utility sometimes  
12 provided responses to these violations those responses were insufficient because they  
13 failed to submit adequate documentation of the items addressed in the responses or  
14 submitted photographs for verification that showed partially or inadequately addressed  
15 items.

16 Since its acquisition, CSWR Florida has worked to make improvements to the  
17 facility, which will be described later in my testimony. Evaluation of the facility shows  
18 that it will require what is essentially a total overhaul and upgrade due to the poor  
19 condition of all equipment, the facility's inability to meet permitted limits, and potential  
20 capacity issues. This work cannot begin immediately because it requires permitting  
21 and will be competitively bid to ensure projects are completed at the lowest cost  
22 possible. CSWR Florida is working with FDEP to facilitate the long-term corrections  
23 required without wasting investment on short term fixes. However, because FDEP has  
24 continued to issue inspection reports and warning letters regarding issues left  
25 unresolved by prior ownership, some interim fixes will be required. To demonstrate



1 its commitment to bring the Sebring Ridge system into full compliance as quickly and  
 2 cost-effectively as possible CSWR Florida regularly meets with FDEP to provide  
 3 updates and maintain a cooperative relationship while working toward full compliance.

4 **Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA HAS COMPLETED**  
 5 **TO DATE AT THE SEBRING RIDGE WASTEWATER SYSTEM.**

6 A. Various improvements have been made to date to the Sebring Ridge wastewater  
 7 system. Both the percolation ponds and the rapid infiltration basin had issues that  
 8 needed to be addressed to ensure adequate disposal of treated wastewater. Both these  
 9 sets of assets had significant sludge accumulation resulting in vegetation growth.  
 10 Furthermore, the elevation of the bottom of the percolation ponds meant that during  
 11 rain events groundwater would rise to the point of accumulating in the percolation  
 12 ponds, thereby preventing wastewater from percolating into the ground. To address  
 13 these issues, sludge and nuisance vegetation has been removed and a maintenance  
 14 schedule implemented to regularly service the ponds. In addition, a layer of sand was  
 15 added to raise the elevation of the bottom of the percolation ponds to prevent the  
 16 previously described groundwater issues.



17 *Rapid infiltration basin (left) and percolation ponds (center) before sludge and vegetation*  
 18 *removal. Note percolation pond is holding water rather than draining both due to*  
 19

1 *groundwater level and sludge slowing percolation rate. Aerial photo after vegetation and*  
2 *sludge removal, and application of sand layer to bottom of percolation basins. Note the*  
3 *percolation basins are draining properly.*

4 At acquisition, the disinfection chemical storage was an elevated spill tote with  
5 chemical storage above. Although this provided spill containment and allowed  
6 chemicals to be distributed to the contact chamber without a chemical pump, delivered  
7 chemicals still would have to be pumped up into the tank upon arrival. In addition, the  
8 disinfection chemicals and tank were exposed to sunlight, which accelerates the  
9 breakdown of the chemicals and thereby reduces the efficacy of the disinfection  
10 process. A new spill tote and chemical storage tank with a chemical feed pump have  
11 been installed at ground level and the chemical storage tank has been covered by a  
12 shade structure to eliminate the issue with UV exposure. This will also allow for more  
13 precise dosing for disinfection and tracking of chemical inventory.



14  
15 *Disinfection chemical storage before (left) and after (right) improvement.*



*New chemical feed pump system for precise dosing of sodium hypochlorite.*

At acquisition the existing handrails, catwalks, and stairs were in poor condition and some areas lacked access with any operator safety features. CSWR Florida has begun to replace damaged safety features and install new ones and will continue to do so as improvement projects proceed.



*Examples of inadequate safety features for operations access. Rotting wooden stairs with missing handrail on one side (left), aluminum ladder resting across tanks for access to air header (center), no leading edge protection or grating over open basins throughout plant (right).*





*New access stairs with handrails, high friction tread plates, high visibility coating (left) and new fall protection rails around the exterior of the facility to prevent falls from the plant (right).*

At acquisition, no remote monitoring equipment was present at the wastewater treatment facility or lift stations, and the other monitoring equipment at the plant was either in poor condition or missing entirely. New remote monitoring equipment has been installed at the treatment plant and at each lift station. A new flow meter has also been installed to allow for active measurement of flow through the remote monitoring system.



*Remote monitoring equipment installed at the wastewater treatment plant (left) and lift stations (right).*





*New ultrasonic flow meter in weir box (left) and meter controller (right).*

Although more improvements are required, some improvements also have been made to the power and control systems at the treatment plant to replace damaged equipment found throughout the facility. This included replacing the heavily deteriorated power and control panel for the blower system. Also, a proper shade structure has been installed over the blowers. Previously the blowers were protected from sunlight and rain with a tarp secured to scrap piping with rope and bungee cords. A proper structure has now been installed and the area cleaned up from trash and debris.



*Blower control panel and shade structure before (left) and after (right) improvements, note general cleanup of area from trash and debris as well.*

Emergency repairs to the aeration system have also been implemented. At acquisition, only one of the two blowers was functional, with no blower motor present

1 on the second blower. In addition, the blower housings were in poor condition, the  
2 functioning blower motor was in poor condition, belts were missing for the out of  
3 service blower, and both blower housings were deteriorating. Both blower motors and  
4 blowers have been replaced, including rewiring both units to the new blower controller.  
5 A belt housing has been installed along with new blower mufflers. Air leaks have been  
6 identified, and some aeration piping repairs have also been implemented.



7  
8 *Blowers before (left) and after (right) improvements.*

9 At acquisition, the clarifier sludge returns and skimmers were not properly  
10 functioning, and significant suspended solids in the clarifiers were noted in FDEP's  
11 previous enforcement action. To improve the function of the clarifiers, new sludge  
12 returns, sludge air lifts, and skimmers have been installed.



13  
14 *Old skimmer and air l.f.ts (left) and newly installed air l.f.ts and sludge returns (right), note*



*improved clarity in the clarifiers.*

At the time CSWR Florida acquired the system, the access road and gravel throughout the site were eroded, crushed, and poorly maintained, with bare spots and nuisance vegetation growing throughout. To maintain facility access and operational access throughout the site, new gravel has been applied and nuisance vegetation removed.



*Typical degraded condition of roads and surfaces at acquisition.*



*Site and road conditions following improvement.*

Finally, general site improvements have been implemented, which consisted of removing trash, debris, broken equipment, and nuisance vegetation from the site to improve operational safety and efficiency.

Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO

**COMPLETE IN THE FUTURE AT THE SEBRING RIDGE WASTEWATER  
SYSTEM.**

A. Further improvements, upgrades and/or replacements, will be required for the Sebring Ridge wastewater system to ensure its facilities are in a safe and operable condition so the facility can consistently meet regulatory requirements and compliance standards and ensure the facilities can be properly maintained in the future. While some improvements have been made to the aeration system to keep the facility operational until the longer-term projects can be undertaken, further improvements are needed. This will involve a comprehensive overhaul of the aeration system, including replacement of current aeration piping with steel piping, replacement of diffusers and drop pipes to ensure proper function and eliminate leaks, and upsizing blowers to enhance treatment. Improvements to the clarifier equipment will also be implemented to improve clarifier function. A designated blower will also be installed to improve the digesters' breakdown of solids. This process will be further enhanced by adding a decanter to reduce the water content of treated sludge thereby reducing sludge hauling expense over time. The existing process also does not adequately meet phosphorus limits, so a new treatment process will be added to allow the plant to treat to those limits. At acquisition, it also was noted that large amounts of nuisance solids (non-wastewater solids) were entering the facility. These solids can hinder treatment and potentially damage treatment equipment. To date these solids have been captured with a manually cleaned bar screen. But that process has not been effective at stopping nuisance solids from entering the facility. A fine screening system will be installed to automatically capture solids and drop them into a dumpster. This eliminates the process of manual raking of a bar screen and prevents the screen from being filled and overwhelmed, allowing solids into the facility.



*Existing bar screen (left), examples of Hydrosieve with automatic trash collection beneath at two CSWR affiliated facilities (center and right).*

To facilitate improvements and upgrades to the treatment processes at the Sebring Ridge facility, electrical upgrades will be required at the facility. This will include upgrading from a 200 amp service to a 400 amp service and replacing the current power supply and control panels, as appropriate, to meet the needs of upgraded equipment and to replace damaged or corroded electrical equipment. The new power supply will also include the means to connect an emergency generator to the system and prevent service interruption in the event of a power outage.



*Extremely corroded existing 200 amp power supply.*

All three of the existing lift stations in the collection systems are in poor condition and will require significant improvements. Many of the components are



aging and in need of replacement, including control panels, manhole covers, pumps, and piping. Much of the discharge piping has been repeatedly repaired and is no longer properly supported (e.g., raised on piles of cinder blocks with wood shims) and often consists of improper piping materials including flex hoses and PVC pipes. The lift stations also do not include rail systems to aid in pump maintenance. None of the systems currently include emergency bypass piping, which allows a mobile pump to be connected to the lift station for operation during pump malfunctions or during power outages. All three stations will be overhauled with new pumps, control systems, rails, and piping to ensure proper function. Emergency bypass piping will also be installed during the piping overhaul. In addition, none of the lift stations currently include the means necessary to connect an emergency generator. This would typically be an emergency quick connect and manual transfer switch allowing a mobile generator to be connected to provide power to the lift station during a power outage. This equipment will be installed to improve the system's resiliency.



*Example of lift station piping and condition currently.*

Additional collection system repairs will include identification and repair of leaks, locating and uncovering manhole covers, and replacing damaged manhole covers and rings. General site improvements will continue, including addressing grading

1 issues, further vegetation control, and replacing damaged fencing around the facility to  
2 ensure site security.

3 **C. Sunshine Utilities of Central Florida Water Systems**

4 Q. **PLEASE DESCRIBE SUNSHINE UTILITIES.**

5 A. CSWR Florida acquired the assets of the Sunshine Utilities of Central Florida water  
6 utility on May 24, 2022. While under one certificate of authorization issued by the  
7 Commission (363-W), Sunshine consists of twenty-three water systems, all located in  
8 Marion County, Florida. All the Sunshine water systems are groundwater systems that  
9 source water from their own wells. Most of the systems consisted of a single well  
10 site, but the Ponderosa Pines and Ocklawaha Water Works systems each have two well  
11 sites.

12 Q. **PLEASE DESCRIBE THE OVERALL CONDITION OF THE SUNSHINE**  
13 **WATER SYSTEMS AT THE TIME OF THEIR ACQUISITION BY CSWR**  
14 **FLORIDA.**

15 A. All the Sunshine water systems had at least some problems that required improvements.  
16 The general condition of the systems was fair. Most of the issues encountered were  
17 consistent across many or all systems with certain categories of deficiencies in  
18 common. Many systems had issues with their disinfection systems. These issues often  
19 included poor chemical containment, improper chlorine dosing, lack of shade structures  
20 to prevent breakdown of disinfection chemicals, and lack of continuous chlorine  
21 monitoring. Many of the facilities had hydropneumatic tanks in poor or failing  
22 condition with leaks and corroding interior and/or exterior surfaces. This is a serious  
23 issue as a tank failure can not only cause service interruptions but can also result in  
24 tank explosions causing damage to the utility site, surrounding property, and even  
25 potentially causing injuries to nearby people. Shortly after CSWR Florida closed on

1 the Sunshine systems the hydropneumatic tank at Oakcrest Villas experienced this sort  
2 of catastrophic failure causing damage to the utility site and interrupting service until  
3 temporary bladder tanks could be installed.

4 Many of the Sunshine systems had issues related to wells and well equipment.  
5 These issues ranged from damage and corrosion to well casings and piping, damaged  
6 valves, well pumps and motors in need of replacement due to age, underperformance,  
7 or issues with cavitation, and wells requiring reworking, chemical treatment, or screen  
8 installations due to age. Several sites had out of service wells that required proper  
9 abandonment or reworking to be brought back into service. Several sites had  
10 inadequate water supply with the existing wells.

11 All sites had issues with the electrical and monitoring systems. Many sites had  
12 corroding power boxes and control panels, improperly mounted boxes, exposed wiring,  
13 or poor condition power services. Most sites lacked emergency backup power or means  
14 to connect a mobile generator, and some of the sites which had emergency generators  
15 had generators in poor condition, inadequate fuel storage, or improperly installed  
16 generators. Some sites lacked metering equipment or metering equipment was in aging  
17 or poor condition. All sites lacked remote monitoring equipment.

18 All sites had issues requiring some form of distribution system improvements.  
19 These included leak and main break repairs, damaged or inadequate flushing hydrants  
20 and isolation valves, and replacement of sections of distribution piping which have  
21 reached the end of useful life or were constructed from improper materials.

22 All sites had some issues with general site conditions. Typical issues included  
23 damaged structures, damaged fencing, missing or inadequate all-weather access,  
24 vegetation overgrowth throughout the sites, and poor grading resulting in erosion.

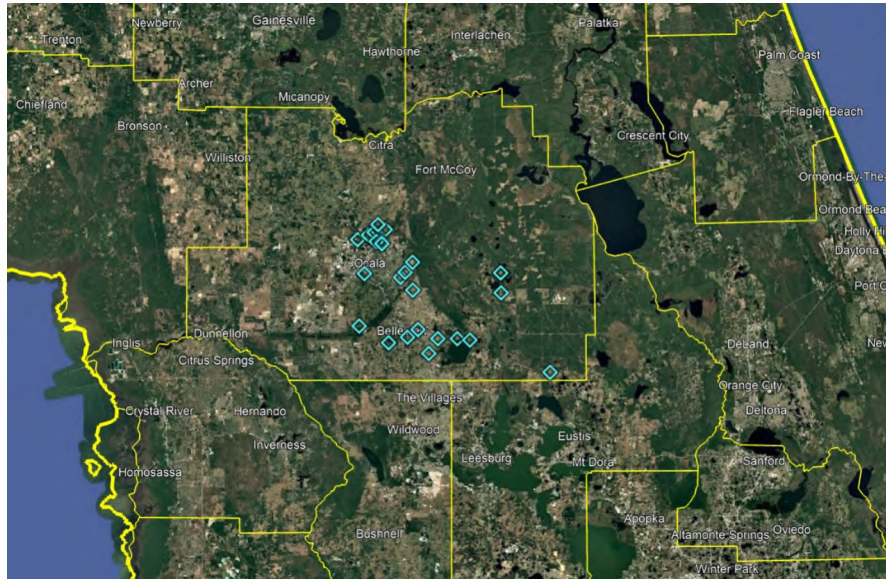
25 Finally, two sites – Ocklawaha Water Works and Oak Haven Quadruplexes –



1 had sulfur present in groundwater, requiring installation of new treatment equipment.

2 Q. **DO YOU HAVE ANY OVERVIEW PHOTOGRAPHS OF THE SUNSHINE**  
3 **WATER SYSTEMS?**

4 A. Yes, the photographs below show an aerial view of the Sunshine drinking water  
5 systems.



6

7

*Locations of the 23 Sunshine drinking water systems.*



8

9 *Aerial (left) and ground level view (right) of the Ashley Heights drinking water facility*

10 *(FL3424962) at acquisition.*





*Aerial view of the Bellevue Oaks (FL3424621) drinking water facility at acquisition.*



*Ground level views of the well (left) and tank and treatment sites (right) at the Bellevue Oaks (FL3424621) drinking water facility at acquisition.*



*Aerial (left) and ground level view (right) of the Country Walk drinking water facility (FL3424657) at acquisition.*





1

2

*Aerial view of the Eleven Oaks (FL3424099) drinking water facility at acquisition.*



3

4

*Ground level views of the Eleven Oaks (FL3424099) drinking water facility at acquisition.*



5

6

*Aerial (left) and ground level view (right) of the Emil Mar drinking water facility*

7

*(FL3420346) at acquisition.*





1  
2 *Aerial (left) and ground level view (right) of the Florida Heights drinking water facility*  
3 *(FL3424031) at acquisition.*



4  
5 *Aerial (left) and ground level view (right) of the Floyd Clark drinking water facility*  
6 *(FL3420411) at acquisition.*



7  
8 *Aerial (left) and ground level view (right) of the Fore Oaks drinking water facility*  
9 *(FL3424644) at acquisition.*





1

2

*Fore Oaks well sites (FL3424644) at acquisition.*



3

4

*Aerial (left) and ground level view (right) of the Hilltop At Lake Weir drinking water facility*

5

*(FL3424662) at acquisition.*



6

7

*Aerial (left) and ground level view (right) of the Little Lake Weir drinking water facility*

8

*(FL3420761) at acquisition.*





1  
2 *Aerial (left) and ground level view (right) of the Oak Haven Quadruplexes drinking water*  
3 *facility (FL3424106) at acquisition.*



4  
5 *Aerial (left) and ground level view (right) of the Oakcrest Villas drinking water facility*  
6 *(FL3421201) at acquisition.*



7  
8 *Aerial (left) and ground level view (right) of the Oakhurst drinking water facility*  
9 *(FL3424032) at acquisition.*





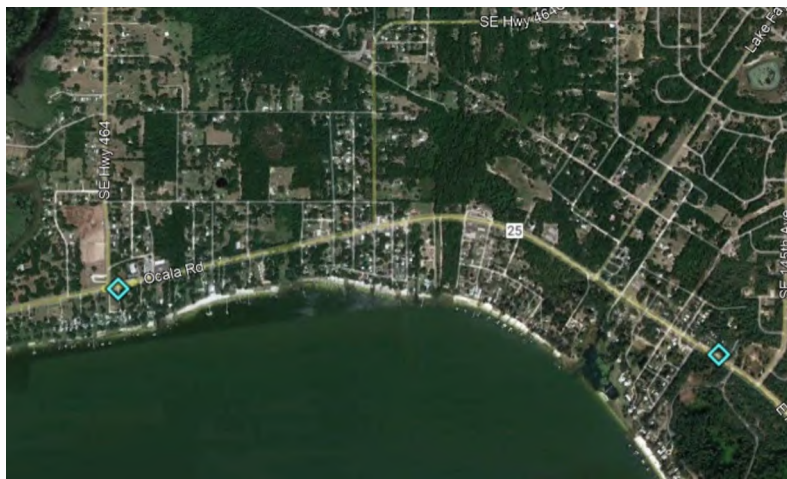
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2 *Aerial (left) and ground level view (right) of the Ocala Garden Apartments drinking water*  
 3 *facility (FL3421554) at acquisition.*



4

5 *Aerial (left) and ground level view (right) of the Ocala Heights drinking water facility*  
 6 *(FL3424651) at acquisition.*



7

8 *Aerial View of the two Ocklawaha Water Works (FL3420939) Well Sites (Terrace on left,*

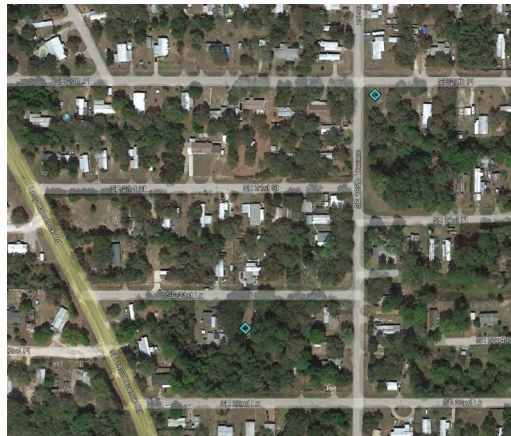


1

*Pines on right).*

2

3

*Ground level view cf the Terrace (left) Pines (right) well sites.*

4

5

*Aerial View cf the two Ponderosa Pines (FL3424062) drinking water sites.*

6

7

*Ground level views cf Ponderosa Pines well site 1 (left) and well site 2 (right) at acquisition.*





1

2

*Aerial (left) and ground level view (right) of the Quail Run drinking water facility*

3

*(FL3424046) at acquisition.*



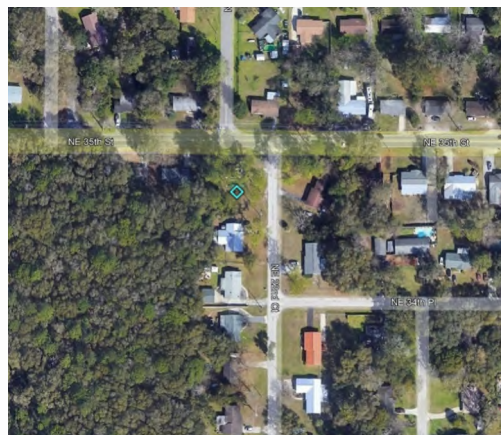
4

5

*Aerial (left) and ground level view (right) of the Sandy Acres drinking water facility*

6

*(FL3421118) at acquisition.*



7

8

*Aerial View of the two Sun Ray Estates (FL3421314) drinking water site.*





1

2 *Sun Ray Estates (FL3421314) well and hydro-pneumatic storage tank (left). Generator and*  
 3 *disinfestation shed (right).*



4

5 *Aerial (left) and ground level view (right) of the Sunlight Acres drinking water facility*  
 6 *(FL3421520) at acquisition.*



7

8 *Aerial (left) and ground level view (right) of the Whispering Sands drinking water facility*  
 9 *(FL3424009) at acquisition.*





*Aerial (left) and ground level view (right) of the Winding Waters drinking water facility (FL3424691) at acquisition.*

**Q. PLEASE DESCRIBE THE COMPLIANCE HISTORY OF THE SUNSHINE DRINKING WATER SYSTEMS PRIOR TO ACQUISITION BY CSWR FLORIDA.**

**A.** During the five years immediately prior to their acquisition by CSWR Florida the twenty-three Sunshine water systems experienced a variety of compliance issues. Many of these issues were recurring and were experienced across multiple facilities, often multiple times, which indicates systemic issues with operations and reporting practices.

The primary types of noncompliance related to monitoring and reporting violations. Eleven Sunshine systems were cited for violations related to synthetic organic chemical sampling requirements, eleven facilities were cited for violations related to disinfection byproduct sampling requirements, six facilities were cited for violations related to radionuclide sampling requirements, and one facility was cited for a violation related to revised total coliform rule sampling requirements. All told, twenty-one of Sunshine's twenty-three systems were cited for violations of monitoring and reporting requirements within the five years immediately prior to CSWR- Florida's

1 acquisition. Properly completing and reporting monitoring in accordance with drinking  
2 water sampling requirements is critical because it is the mechanism regulators use and  
3 rely on to verify that drinking water is safe for consumers. Although the numerous  
4 citations for failure to comply with monitoring and reporting regulations do not  
5 necessarily indicate water provided by Sunshine was unsafe to drink, the requirements  
6 are in place to ensure customer safety, and compliance with those standards is not  
7 discretionary. Most of these violations resulted in FDEP Compliance Assistance Offer  
8 agreements, which are an enforcement mechanism FDEP uses to ensure missing  
9 sampling is completed. Such agreements are considered an informal enforcement tool  
10 that provides a window of time for a utility to correct noncompliance violations.  
11 However, two Sunshine systems had additional noncompliance noted in facility  
12 inspections that required corrective action relating to flow meter calibration, repairs to  
13 system components, exceedance of permitted capacities, and failure to conduct  
14 required tank inspections. In addition, one system was subject to a Consent Order – a  
15 more serious enforcement action utilized when Compliance Assistance Offers fail to  
16 achieve compliance or when repeated violations indicate a lack of effort to comply with  
17 requirements. The Sunshine Consent Orders included monetary penalties.

18 While the information I just provided summarizes the formal and informal  
19 enforcement actions that occurred in the five years immediately prior to CSWR-  
20 Florida's acquisition of the Sunshine systems, soon after its acquisition CSWR-Florida  
21 invited FDEP to conduct facility inspections to ensure all instances of noncompliance  
22 could be identified and addressed in a cooperative manner. The FDEP inspections  
23 noted hydropneumatic tanks at three sites that were either actively leaking or patched  
24 with temporary patches. CSWR-Florida's actions to address these problems is  
25 discussed in the portion of my testimony that focuses on improvements planned and

1 completed at each system. The severely deteriorated hydropneumatic tanks CSWR-  
2 Florida acquired from Sunshine included one that experienced a catastrophic tank  
3 failure (i.e., an explosion) shortly after closing, which shows the system's previous  
4 ownership failed to maintain system components in accordance with FDEP  
5 requirements. Indeed, CSWR-Florida identified hydropneumatic tanks at twenty-two  
6 of the twenty-three Sunshine system sites that did not meet minimum FDEP standards.

7 The Sunshine systems' history of noncompliance demonstrates a recurring  
8 failure by the previous owners to satisfy sampling and reporting standards that were  
9 put in place to ensure the water delivered is safe for customers. Maintaining proper  
10 sampling and reporting procedures is a basic and important part of a water utility's  
11 operations practices, and repeated failures to follow those procedures indicate an  
12 inability or unwillingness to responsibly operate drinking water systems in a manner  
13 that ensures water consumed by customers is safe.

14 **Q. PLEASE DESCRIBE THE WORK COMPLETED TO DATE BY CSWR**  
15 **FLORIDA AND IMPROVEMENTS THE COMPANY PLANS TO**  
16 **IMPLEMENT AT THE SUNSHINE WATER SYSTEMS.**

17 **A.** After closing on the Sunshine water systems, CSWR-Florida made initial  
18 improvements at every facility. For example, all systems received improvements to  
19 their electrical systems. This included installation or replacement of emergency  
20 generators, improvements to power supplies and panels, relocation of power services,  
21 installation of lighting to enable safe operation in emergency responses after dark, and  
22 improvement to site and well head wiring. CSWR-Florida has installed, repaired, or  
23 replaced emergency generators at almost every Sunshine site and will complete  
24 installations at remaining sites in the near future. Emergency backup power is  
25 important to prevent service interruptions at any drinking water facility but is especially

1 important for facilities that rely on hydropneumatic tanks or booster pumps for  
2 pressurization.

3 Prior to acquiring the Sunshine water systems, CSWR-Florida determined that  
4 many of the hydropneumatic tanks were in poor condition and in need of evaluation  
5 followed by repair or replacement. Poor maintenance of these tanks by previous  
6 ownership was made obvious when the hydropneumatic tank at the Oakcrest Villas site  
7 failed catastrophically and exploded, damaging the site and interrupting service. These  
8 sorts of failures are extremely serious because they not only interrupt service but can  
9 cause severe damage to property on and around the utility site, thus posing a threat to  
10 customers, their property, and people on or near the site. CSWR-Florida responded  
11 immediately to the Oakcrest Villas tank failure and quickly installed three temporary  
12 bladder tanks to restore service until a new hydropneumatic tank could be acquired,  
13 permitted, and installed.

14 To prevent similar occurrences, CSWR-Florida has worked to evaluate and  
15 repair or replace hydropneumatic tanks at each of the Sunshine sites. This resulted in  
16 the replacement of four hydropneumatic tanks to date and replacements or installations  
17 of additional tanks planned for 21 of the 23 Sunshine sites. Other existing tanks also  
18 will be repaired and recoated at 19 of the 23 sites.

19 At each of the Sunshine systems CSWR-Florida has implemented  
20 improvements to disinfection systems. These include the installation of continuous  
21 chlorine monitoring to ensure proper disinfection, installation of shade structures over  
22 sodium hypochlorite tanks to prevent premature breakdown of chemical and dosage  
23 equipment, and installation of proper chemical containment to prevent environmental  
24 damage from leaks of sodium hypochlorite solution. In addition, all sites have or will  
25 soon undergo evaluation of their wells, and improvements will be made as required.

1 These improvements may involve minor improvements like cleanup and recoating of  
2 above ground piping, or more comprehensive rehabilitations such as replacement of  
3 pumps and motors, redrilling or chemical treatment of the well column, addressing  
4 exposed wiring, repairing well casings, installation of new wells, and rehabilitation or  
5 proper abandonment of out of service wells.

6 All water systems are also undergoing distribution system evaluation and  
7 improvements to reduce water loss and harden the distribution systems against leaks  
8 and breaks leading to service outages. Distribution system improvements, both  
9 completed and still planned, include addressing leaks, repairing breaks, replacing  
10 substandard material piping (some sections were found to utilize schedule 20 PVC that  
11 is not approved for potable water usage), and the addition of flushing hydrants and  
12 isolation valves. Above ground piping improvements have also been made at some  
13 water production sites. These improvements primarily consist of replacing damaged  
14 piping and replacing coatings where they were damaged.

15 Remote monitoring equipment has also been installed at all sites. This allows  
16 operations staff to immediately identify any abnormal operating conditions, which  
17 allows for quick responses to minimize and sometimes eliminate service interruptions.  
18 Remote monitoring equipment also allows for live recording and tracking of  
19 operational data, giving operators a more complete picture of system performance,  
20 which allows for better operational control. It also provides information necessary to  
21 identify and design system improvements.

22 All the systems have also undergone or are undergoing improvements to general  
23 site conditions. These activities include repairs to structures; clearing of vegetation and  
24 debris from the site and fence lines; repair, replacement, or installation of fencing;  
25 repair or installation of all-weather access equipment; installation of safety equipment;



1 and site grading to address flooding and erosion. In addition, the Ocklawaha Water  
2 Works and Oak Haven Quadruplexes systems have planned improvements that include  
3 installing sulfur remediation to improve the flavor of water produced.

4 Q. **DO YOU HAVE PHOTOGRAPHS SHOWING THE IMPROVEMENTS CSWR**  
5 **FLORIDA COMPLETED AT THE SUNSHINE WATER SYSTEMS.**

6 A. Yes. Please see below for photos showing areas before and after improvements made  
7 by CSWR Florida, including an in depth look at the tank failure at Oakcrest Villas.



8  
9 *Hydro-pneumatic tank at Oakcrest Villas showing pinhole leaks and rust prior to catastrophic*  
10 *failure.*



11  
12 *Oakcrest Villas hydro-pneumatic tank explosion. Failed tank with damaged fencing (left) and*  
13 *damage to other water assets (right).*





1

2 *Temporary bladder tanks installed at Oakcrest Villas system to restore service until new*  
 3 *hydropneumatic tank could be installed.*



4

5 *New hydropneumatic tank was installed at Oakcrest Villas to replace failed tank. Damage to*  
 6 *site caused by tank explosion also repaired including new fence installation.*



7

8 *Before (Left) & After (Right): Flow Meter Replacement - Ashley Heights system*





1

2 *Before (Left) & After (Right): Chemical containment upgrades - Ashley Heights system.*



3

4 *Before (Left) & After (Right): Disinfection system improvements (shade structure and*  
 5 *containment) - Bellevue Oaks Estates system.*



6

7 *Before (Left) & After (Right): Disinfection improvements, containment, and lighting -*  
 8 *Country Walk system.*



1

2 *Before (Left) & After (Right): Chemical containment and shade structure - Emil-Mar system.*

3

4 *Before (Left) & After (Right): New Chemical containment and shade structure - Oakcrest*5 *Villas system.*

6

7 *Before (Left) & After (Right): New Chemical containment and shade structure - Ponderosa*8 *Pines system.*





1

2 *Before (Left) & After (Right): Hydro-pneumatic tank replacement (current tank leaking and at*  
 3 *risk of failure) - Ashley Heights system.*



4

5 *Before (Left) & After (Right): Hydro-pneumatic tank replacement - Belleview Oaks Estates*  
 6 *system.*



7

8 *Before (Left) & After (Right): Hydro-pneumatic tank replacement - Country Walk system.*





1

2 *Before (Left) & After (Right): Hydro-pneumatic tank replacement - Ponderosa Pines system.*

3

4 *Before (Left) & After (Right): Hydro-pneumatic tank replacement - Winding Waters system.*

5

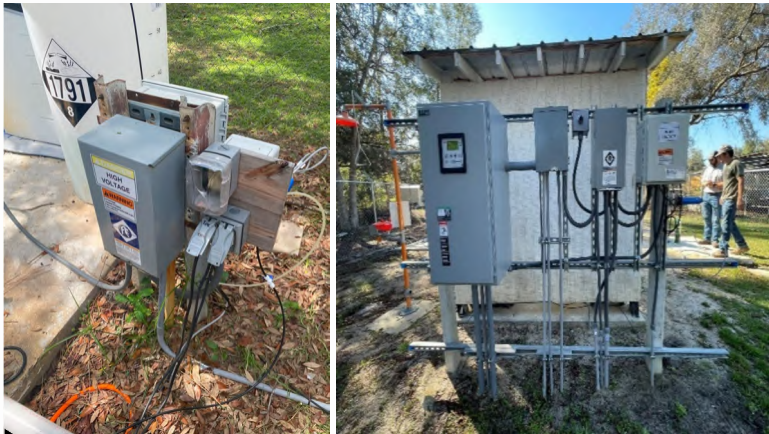
6 *Before (Left) & After (Right): Electrical Panel Improvements - Eleven Oaks system.*





1

2      *Before (Left) & After (Center & Right): New Electric Panels - Oakcrest Villas system.*



3

4      *Before (Left) & After (Right): Electrical panel improvements - Pondarosa Pines system.*



5

6      *Emergency generator installation - Eleven Oaks system*





1

2

*Emergency generator installation - Ashley Heights system.*



3

4

*New generator - Belleview Oaks Estates system.*



5

6

*New generator - Country Walk system.*

1



2

*New generator - Emil-Mar system.*

3



4

*New generator - Florida Heights system.*

5



6

*New generator and fence - Oakcrest Villas system.*



1

2

*New generator - Ponderosa Pines system.*



3

4

*Remote monitoring unit - Florida Heights system (Note: The same equipment has been*

5

*installed at all 23 Sunshine systems).*



6

7

*Emergency eye wash and chemical shower station and fires extinguisher - Ashley Heights*

8

*system (Note: Similar safety installations at other systems, as requirea).*





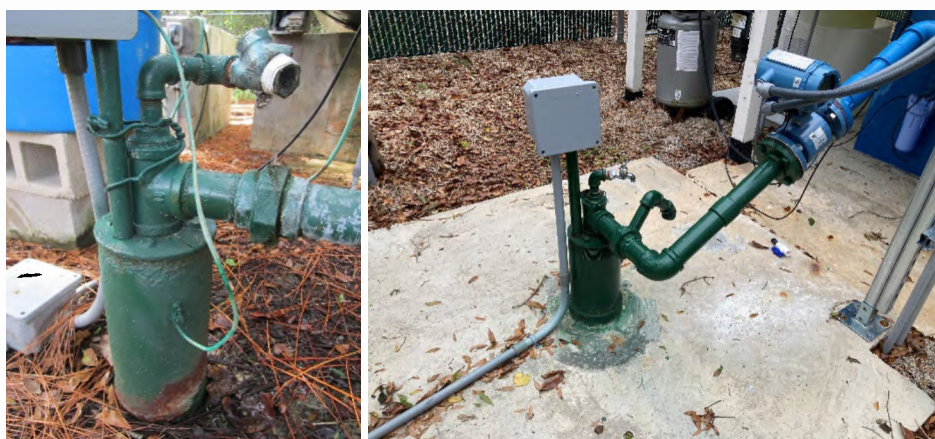
1

2 *New fencing - Emil-Mar system. (Note: similar fencing improvements have been made at all*  
 3 *Sunshine water sites)*



4

5 *Before (left) and after (right) access road installation - Oakcrest Villas system. (Note:*  
 6 *similar access road improvements have been made at all Sunshine sites where appropriate)*



7

8 *Example of before (left) and after (right) well rehabilitation work at Emil Mar water system*  
 9 *(Note: similar improvements have been made at many Sunshine sites)*

**D. CFAT H2O (aka Landfair) Wastewater System**

Q. **PLEASE DESCRIBE THE LANDFAIR WASTEWATER SYSTEM AS IT EXISTED AT THE TIME OF ITS ACQUISITION.**

A. The Landfair wastewater system is a wastewater treatment facility and collection system serving 242 equivalent residential connections (“ERCs”) in Marion County, Florida. The wastewater system serves a subdivision in the Northern portion of Ocala, Florida. CSWR Florida closed on its acquisition of the water and wastewater systems of CFAT H2O, Inc. on November 30, 2023. On its FDEP domestic wastewater facility permit (FLA010722), the wastewater system is identified as the “Landfair WWTF.” For purposes of my testimony I will refer to this wastewater system as “Landfair.”

The Landfair facility consists of a Marolf style concrete modular package plant, and includes a flow equalization basin, aeration, secondary clarification, chlorination and aerobic digestion of biosolids, and a rapid infiltration basin system. The collection system includes 6 lift stations, all of which are maintained by the utility, but only two of them (lift stations 1 & 2) are owned by the utility.

Q. **PLEASE DESCRIBE THE CONDITION OF THE LANDFAIR WASTEWATER SYSTEM WHEN IT WAS PURCHASED.**

A. As I will describe below in testimony concerning the system’s compliance history, there were many issues concerning the condition of the Landfair wastewater system when it was acquired by CSWR Florida. These issues fell into two primary categories. First, there were items that required immediate attention to ensure the facility could continue to properly function. Second, there were issues related to the facility’s long-term compliance and compliance with a Consent Order (primarily related to compliance with total nitrogen limits which will be discussed below in a review of the facility’s compliance history) that require a more thorough design, permitting, bidding,

and construction process. Items identified in the first category include the following:

- No remote monitoring present at Landfair facility
- Damaged fencing
- The need to comply with Consent Order requirements for holding pond maintenance
- No chemical containment for spills of disinfection chemicals
- An aeration pattern indicating damage to diffusers and drop legs causing poor treatment
- Discharge and emergency bypass piping at main lift station in poor condition
- No means to connect emergency power to two of the lift stations
- No guiderail system for pump maintenance in lift stations 1 and 2

Items identified in the second category, which cannot be immediately addressed and will require a more thorough design and permitting process, include the following:

- Ongoing failure to meet total nitrogen limits
- Ongoing failure to meet total suspended solids limits
- Many areas of damage to concrete tanks indicating poor tank condition

**Q. DO YOU HAVE ANY OVERVIEW PHOTOS OF THE LANDFAIR WASTEWATER SYSTEM?**

**A.** Yes, please see the photos below showing an aerial view of the Landfair wastewater treatment facility and photos of system components.





*Aerial view of the Landfair Community.*



*Ground level overview photo of Landfair WWTF at acquisition.*

**Q. PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY UNDER PREVIOUS OWNERSHIP.**

**A.** The facility has a long history of noncompliance and failure to comply with permitted limits as well as failure to adequately plan for and complete upgrades to the facility to meet the total nitrogen limit compliance schedule. The most significant ongoing issue, which is present throughout the compliance history, is the system's failure to achieve compliance with total nitrogen limits and the prior owner's failure to implement any effective plans to meet those limits. In permit conditions included as part of the system's 2016 permit renewal, the facility was required to meet limits for total nitrogen

1 by October 2020. The then-owner of the facility sent an update to FDEP in June of  
2 2019 stating the facility would consistently comply with the 12-month average limits  
3 for total nitrogen before the October 2020 compliance date. In March 2021, FDEP  
4 issued a warning letter to the utility that highlighted excessive total suspended solids  
5 violations, ongoing failure to comply with total nitrogen limits, failure to submit  
6 semiannual groundwater monitoring reports for two years, and a buildup of solids in  
7 the holding pond. The report noted additional deficiencies, stating that at the time of  
8 FDEP's inspection the site failed to maintain a copy of the operations and maintenance  
9 manual on site as required, incorrectly calculated the geometric mean for fecal coliform  
10 on multiple discharge monitoring reports ("DMRs"), failed to provide documentation  
11 of flow meter calibration, violated 21 total suspended solids parameters in DMRs  
12 completed during 2020, significantly exceeded total nitrogen limits, had an observable  
13 buildup of solids in the holding pond, and failed to submit any of the required  
14 semiannual groundwater monitoring reports for 2019 and 2020. The system's  
15 continuing noncompliance, as detailed in the warning letter and inspection report,  
16 resulted in the issuance of a Consent Order on May 11, 2021. The order implemented  
17 interim limits for total suspended solids and total nitrogen that were to remain in effect  
18 until October 31, 2022, to provide the utility additional time to achieve compliance  
19 with final total nitrogen limits.

20 In addition to establishing interim limits, the Consent Order contained a number  
21 of other requirements and compliance schedules, including requirements to  
22 immediately maintain the lined holding pond, remove excess solids and nuisance  
23 vegetation from the holding pond, and to, within 30 days of the Consent Order's  
24 effective date, submit an evaluation of the facility and collection system by a registered  
25 professional engineer to determine the causes of the identified violations. In addition,

1 within 30 days of the submission of the engineering evaluation the utility was required  
2 to submit to FDEP design modifications, prepared by a professional engineer, to ensure  
3 future facility compliance. All necessary improvements to the wastewater facility were  
4 required to be completed within 365 days of permit issuance, and if no permit is  
5 required within 180 days of FDEP approval of the proposed facility modification  
6 submission I previously mentioned. Thereafter the utility was required to submit  
7 quarterly reports updating FDEP on the progress of projects being completed related to  
8 the Consent Order and also provide the department with information on any  
9 noncompliance with parameters specified in the Consent Order, including construction  
10 requirements and effluent limits, and providing reasons for the noncompliance. The  
11 reports were also required to include a projection of work to be performed in the 12-  
12 month period following the date of the report. The Consent Order also required  
13 submission of an Operations and Maintenance Performance report, issued a \$3,000  
14 penalty, and laid out conditions for additional stipulated penalties in the event of  
15 noncompliance with terms of the order.

16 Following the issuance of this Consent Order issues arose concerning the  
17 utility's efforts to satisfy the requirements of the order and concerning additional  
18 unrelated noncompliance. First, while the utility ultimately submitted the required  
19 Operations and Maintenance Performance report it was submitted 20 days after the 90  
20 day requirement set forth by the Consent Order. In addition to being late the Operations  
21 and Maintenance Performance Report was found to be deficient because, among other  
22 things, it did not include the required information concerning the collection system.  
23 Furthermore, on October 26, 2021, FDEP sent a letter to the utility stating it failed to  
24 submit a facility modification plan (required to be completed by June 11, 2021) as  
25 required by the Consent Order, and further stating no permit applications (required to

1 be completed by July 11, 2021) had been submitted. The utility then requested a six-  
2 month extension to achieve final compliance, which FDEP granted on November 1,  
3 2021.

4 On December 15, 2021 a DMR was issued noting multiple exceedances and  
5 noting that several DMR samples were mishandled, mislabeled, reported in incorrect  
6 units, or miscalculated. Shortly thereafter FDEP issued a warning letter stating the  
7 utility had failed to timely submit a permit renewal application, that the chlorine contact  
8 chamber was leaking effluent, and that as previously noted several obligations imposed  
9 by the Consent Order remained unsatisfied. Ultimately, the prior owner sold the  
10 wastewater system to CSWR Florida, in part to avoid higher levels of enforcement  
11 action related to the failure to properly upgrade the facility and achieve compliance  
12 with limits and the Consent Order.

13 The Landfair facility is currently subject to a Consent Order that is primarily  
14 related to the facility's ongoing inability to maintain compliance with total nitrogen  
15 limits and the maintenance issues that were unaddressed by previous ownership.  
16 Essentially, FDEP reissued the earlier Consent Order but adjusted the compliance  
17 schedule timeline. Since acquiring the system CSWR Florida has maintained  
18 compliance with the requirements of the current Consent Order and plans to achieve  
19 full compliance through the system improvements I describe later in my testimony.

20 Q. **PLEASE DISCUSS CSWR FLORIDA'S APPROACH TO REPAIRS,**  
21 **IMPROVEMENTS, AND UPGRADES FOR THE LANDFAIR WASTEWATER**  
22 **SYSTEM.**

23 A. As discussed above, the issues requiring attention at the Landfair wastewater system  
24 fall into two categories, items that must or can be worked on immediately either  
25 because they must be addressed to ensure proper operation of the facility, or because

the work does not conflict with the major improvement projects, and major improvement projects for the site aimed at addressing the long term compliance requirements and conditional issues. The primary long-term issue faced by the Landfair facility is ensuring the plant can consistently treat to its permit's total nitrogen limits. The facility, as it exists today, cannot meet these limits without significant changes. CSWR Florida's third-party engineering partners evaluated the facility to determine if the existing plant could be upgraded to meet these limits, or if a new treatment plant would be required. In this evaluation the current condition of the treatment plant structures was considered and the work that would be required to ensure the tanks are in good condition for the future. The third-party engineers determined the existing leaking concrete tanks cannot be effectively repaired, and therefore the most cost-effective and responsible approach to achieving compliance will be constructing a new wastewater treatment facility that is designed with total nitrogen limit compliance in mind. The process of designing, permitting, bidding, and constructing a new treatment plant is a long one. Therefore, the existing facility must remain operational throughout the whole process. This means CSWR Florida will make only the minimal necessary repairs to ensure the existing facility can continue to operate until a new facility can be brought online. Improvements to be made will, to the greatest extent possible, ensure any new equipment will be usable at, or will not conflict with, the new facility. Any improvements made to the existing facility will involve the bare minimum investment necessary to ensure the existing facility is operating as required to comply with applicable environmental laws and ensure customers receive safe and reliable service.

Q. **PLEASE DISCUSS IMPROVEMENTS COMPLETED TO DATE AT THE LANDFAIR WASTEWATER SYSTEM.**



A. Improvements made to date to the Landfair wastewater system include installation of remote monitoring equipment at the wastewater treatment facility including all six lift stations. The remote monitoring unit installed at the treatment plant will be able to be moved to the new treatment facility in the future.



*Newly installed remote monitoring equipment at the Landfair facility and lift stations  
(example at treatment plant)*

Damaged fencing was identified at the treatment facility, rapid infiltration basins, and lift stations 1 and 2. Adequate fencing is important to prevent members of the public from entering utility sites, both to protect the equipment and ensure its safe and reliable operation and to protect the public from potential injury or illness due to exposure to wastewater and wastewater equipment. To ensure site security and public safety all fencing has been repaired.



*Example of damaged (left) and repaired (right) fencing at the Landfair treatment facility.*

As identified in the initial Consent Order, the previous ownership failed to



1 properly maintain the holding pond for treated wastewater, allowing significant sludge  
2 accumulation and vegetation growth in the holding pond. As required by the current  
3 Consent Order, CSWR Florida immediately cleaned the holding pond and has  
4 maintained it since taking acquisition.



5  
6 *Condition of holding pond before (left) and after (right) improvements by CSWR Florida.*

7 At acquisition, no spill containment was present for the sodium hypochlorite  
8 disinfection chemicals. This means if a spill occurred the chemicals could flow freely  
9 on and into the ground, potentially damaging the environment or exposing operators to  
10 disinfection chemicals. A spill containment drum was installed to contain potential  
11 spills of the chemicals.



12  
13 *Sodium hypochlorite storage before (left) and after (right) addition of spill catching drum.*

14 Additional improvements have been made to the aeration system and lift

1 stations. Portions of the aeration apparatus in the aeration basin were not functioning  
2 properly, indicating damage to some of the drop pipes and diffusers. These needed to  
3 be repaired to maintain proper function of the treatment facility until the plant  
4 replacement can be completed. The discharge and bypass piping of the main lift station  
5 were in very poor condition at the time of acquisition, with rusting piping and damaged  
6 valves supported by stacks of loose brick and rotting wood. The piping has been  
7 replaced to ensure proper function and to prevent a support failure resulting in service  
8 interruption.



9  
10 *Main lift station piping at acquisition with brick and rotting wood supports.*

11 Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO  
12 COMPLETE IN THE FUTURE AT THE LANDFAIR WASTEWATER  
13 SYSTEM.

14 A. Substantial additional improvements are needed at the Landfair wastewater system to  
15 ensure the facilities are in a safe and operable condition, that the facility can  
16 consistently meet regulatory requirements and compliance standards, and to ensure that  
17 the facilities can be maintained in the future. The Landfair wastewater treatment facility  
18 has had an ongoing inability to meet new total nitrogen limits and has struggled to meet  
19 other limits. This represented a failure by previous ownership to implement  
20 improvements needed to meet the new total nitrogen permit limits. CSWR Florida's

1 third-party engineering partners evaluated the facility and determined that the tanks  
2 could not be cost-effectively repaired or refurbished and had reached the end of their  
3 useful lives. These issues related to poor tank condition were present on both the  
4 system's steel and concrete treatment tanks. Numerous active leaks were present on  
5 the tanks, which had persisted for some time and had been addressed only through  
6 ineffective attempts at patching leaks. In addition, there is significant algal and  
7 bacterial growth on tanks exteriors where leaks have occurred. Examples of the leaks  
8 and damage to the facility's treatment tanks can be seen below.



10  
11 *Examples of leaks on the steel (top left) and concrete (all other photos) tanks with ongoing*  
12 *leaks evident by ineffective patching and significant growth of algae and rust accumulation*  
13 *below leaks.*

14 The dismal condition of the tanks led the third-party engineering partners to

1 recommend total plant replacement to ensure the facility can be designed to properly  
2 meet regulatory limits and that the facility will have a full useful life and the ability to  
3 be maintained moving forward. The design phase for the new treatment facility is  
4 currently underway. All treatment processes will be replaced, including influent  
5 screening, aeration treatment, clarification, and disinfection, and the new facility will  
6 utilize the existing effluent disposal system and rapid infiltration basins. The holding  
7 pond is being evaluated to determine if it should be rehabilitated, decommissioned, or  
8 repurposed for solids holding and processing. Apart from the replacement of the  
9 treatment facility, improvements are planned for the two lift stations owned by the  
10 utility as well. Both lift stations will have generator quick connects installed to provide  
11 the ability to connect a mobile generator to ensure continuous operation in the event of  
12 a power failure, and rail systems will be installed in the lift stations to facilitate  
13 improved ability to perform maintenance on lift station pumps.

14 **E. CFAT H2O (aka Landfair) Water System**

15 Q. **PLEASE DESCRIBE THE LANDFAIR WATER SYSTEM AS IT EXISTED AT**  
16 **ITS ACQUISITION BY CSWR FLORIDA.**

17 A. The Landfair water system is a water system serving 240 equivalent residential  
18 connections in Marion County, Florida. The water system serves a subdivision and  
19 several commercial locations in the northern portion of Ocala. CSWR Florida closed  
20 on its acquisition of the CFAT H2O, Inc. water and wastewater systems on November  
21 30, 2023. The consumptive use permit issued by the St. Johns River Water  
22 Management District identifies this water system as the “Landfair” system so I will  
23 similarly refer to it as Landfair in my testimony.

24 Q. **PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE**  
25 **LANDFAIR WATER SYSTEM WHEN IT WAS PURCHASED BY CSWR**



**FLORIDA.**

A. At acquisition, CSWR Florida identified a number of issues with the Landfair water system that would require repairs or improvements to ensure the system can provide safe and reliable service and can be properly and efficiently maintained and operated in the future. Issues identified include the following:

- No remote monitoring present at the water treatment plant
- An out of service well was not properly abandoned
- No live data/digital flow meters were present that can communicate with a remote monitoring system
- Protective coatings on wells, tanks, and the interior and exterior of a building have deteriorated
- No continuous chlorine monitoring
- Several distribution system issues were noted, including leaks and inadequate or damaged isolation valves and flushing hydrants
- The surge tank and control panels for booster pumps were in poor condition.
- The system's hydropneumatic tank was not properly certified and cannot be recertified due to age. Additionally, the hydropneumatic tank is massively oversized for the system, meaning ongoing maintenance costs would be much higher than for an appropriately sized tank.
- The stationary generator was broken and impractical to repair. A mobile generator was on site, but is not usable as it is currently installed
- Both working wells are due for rehabilitation due to age.
- A section of distribution system has a dead end with no flushing hydrant
- The well pad for well 2 is cracked and deteriorating

1 Q. DO YOU HAVE ANY OVERVIEW PHOTOGRAPHS OF THE LANDFAIR  
2 DRINKING WATER SYSTEM?

3 A. Yes, the photos below show an aerial view of the Landfair drinking water facility and  
4 a ground level view of the water plant.



5  
6 *Aerial view of the Landfair Community.*



7  
8 *Aerial (left) and ground level (right) views of the Landfair water treatment site.*

9 Q. PLEASE PROVIDE A SUMMARY OF THE LANDFAIR WATER SYSTEM'S  
10 COMPLIANCE HISTORY UNDER PREVIOUS OWNERSHIP.

11 A. A review of the compliance history of the Landfair drinking water system in the five  
12 years immediately preceding its acquisition by CSWR Florida shows regular instances  
13 of noncompliance related to monitoring and reporting requirements. A review of the



1 EPA Safe Drinking Water Information System (SDWIS) database shows seven  
2 violations of monitoring and reporting requirements related to disinfection byproducts,  
3 lead and copper rule sampling, and coliform sampling. One additional groundwater  
4 rule violation for failing to conduct assessment monitoring is also listed during this  
5 period. A review of FDEP's database shows violations consistent with what appeared  
6 in the SDWIS database, with most of the violations including Compliance Assistance  
7 Offers, which are utilized to facilitate returning the systems to compliance. The details  
8 available in the FDEP database also show that most of these violations were for samples  
9 that were completely missing rather than partially or incorrectly completed.

10 There are no active compliance agreements currently in effect for the Landfair  
11 drinking water system.

12 Q. **PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA HAS COMPLETED**  
13 **TO DATE AT THE LANDFAIR DRINKING WATER SYSTEM.**

14 A. To date, CSWR Florida has completed several improvements to the Landfair drinking  
15 water system. First, the out of service well was properly decommissioned. Proper  
16 decommissioning of wells is important to prevent potential contamination of  
17 groundwater and to eliminate tripping hazards from the utility site.



18

19 *Out of service well now properly decommissioned and removed.*

20 The well pad for well 2 has been replaced, and flow meters have been installed  
21 on both active wells. Active flow metering allows for greater operational awareness

1 and control over the system and allows flow data to be communicated live through the  
2 new remote monitoring equipment.



3  
4 *Well pad for well 2 before (left) and after (right) replacement. Well piping has also been*  
5 *replaced and well casing will be rehabilitated with future well reworking.*



6  
7 *New flow meters installed for Well 2 (left) and Well 3 (right).*

8 Remote monitoring equipment has been installed at the water site. With the  
9 installation of the remote monitoring equipment, a continuous chlorine analyzer was  
10 also installed. These analyzers actively monitor to ensure that adequate chlorine  
11 residual is maintained in drinking water, which prevents bacteriological contamination  
12 issues in the drinking water and reduces manual testing requirements.



*New Remote monitoring unit (left) and continuous chlorine analyzer (right).*

The out of service stationary generator has been removed so that, in the future, a new stationary generator can be installed. Once a new stationary generator is installed, the mobile generator that currently is permanently connected to the system can be disconnected so that it can be mobilized to provide emergency power to the nearby Landfair wastewater treatment facility and any of the lift stations in its collection system during power outages.



*Before (left) and after (right) removal of stationary generator. Also note painting of building interior.*

Much of the equipment, piping, and structures on the site had either deteriorating protective coatings or lacked such coatings entirely. Maintaining paint and coatings on equipment is important to prevent deterioration due to exposure and to



- 1 extend the useful life of the equipment. CSWR has worked to recoat the tanks, piping,  
2 and structures on the site, where needed.



- 3  
4 *Hydro-pneumatic tank before (left) and after (right) recoating.*



- 5  
6 *Examples of piping and valves before (left) and after (right) recoating.*



- 7  
8 *Treatment, pumping, and control building before (left) and after (right) recoating.*

- 9 At acquisition, the disinfection system at the water plant did not have any proper

form of chemical containment. Without proper containment, spilled chemicals can cause damage to the environment, present a hazard to operators, or damage equipment. CSWR Florida has installed chemical containment at the water system site.



*Chlorine storage before (left) and after (right) installation of spill containment.*

**Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO COMPLETE IN THE FUTURE AT THE LANDFAIR DRINKING WATER SYSTEM.**

**A.** Despite what has been done thus far, further improvements are needed at the Landfair drinking water system to ensure the facilities are in a safe and operable condition, that the facility can satisfy regulatory requirements, and to ensure the facilities can be properly and efficiently maintained moving forward. As I previously mentioned, the existing hydropneumatic tank has several issues that need to be addressed. The tank was never properly certified for drinking water use and cannot be properly certified now due to the tank's age. Additionally, the tank is oversized for the system. A water system that has both ground storage and a booster pump system does not require large amounts of pressurized storage. Consequently, the cost to maintain the larger tank will be excessive over time compared to an appropriately sized tank. For these reasons CSWR Florida plans to replace the existing hydropneumatic tank with a 5,000-gallon

1 tank that has proper certification for use in drinking water.



2

3 *Oversized uncertified hydropneumatic tank to be replaced with appropriately sized and*  
 4 *certified tank.*

5 The control systems and surge tank connected to the booster pump system are  
 6 in poor condition due to age and poor maintenance practices. The surge tank is rusted,  
 7 has deteriorating coatings and is unnecessary due to the variable frequency drives  
 8 (“VFDs”). To ensure the system can function properly, CSWR Florida will replace the  
 9 controls and the surge tank.



10

11 *Booster pump control system (left) and surge tank (right)*

12 As I previously testified, a new stationary generator will be installed at the  
 13 Landfair water system to replace the failed generator. Due to the age of the two wells  
 14 currently in service, both wells are due for full evaluation and rehabilitation, as



1 appropriate. In addition, immediately notable issues include rust to the exposed well  
 2 casings, damaged above ground piping and equipment coatings, and potentially  
 3 underperforming well pumps. CSWR Florida will perform the required evaluations  
 4 and will make whatever repairs, upgrades, or refurbishments are required.



5  
 6 *Well 2 (left) and well 3 (right) showing rusting on well columns, damaged coatings on*  
 7 *attached equipment, exposed wiring, etc.*

8 The final area of planned improvements concerns general improvements to the  
 9 distribution system. These are planned to include the identification and repairs of leaks  
 10 or breaks; identification, evaluation and repair of isolation valves and installation of  
 11 additional valves where needed to minimize impacts to customers due to breaks and  
 12 maintenance activities; and installation of automatic flushing units on flushing hydrants  
 13 and dead end fire hydrants to reduce accumulation of debris in water lines.

14 **F. Beverly Hills/Rolling Oaks Wastewater Treatment Facility**

15 Q. **PLEASE DESCRIBE THE CONDITION OF THE BEVERLY HILLS**  
 16 **WASTEWATER TREATMENT FACILITY AT ACQUISITION.**

17 A. The Beverly Hills/Rolling Oaks wastewater system is a non-discharging community  
 18 wastewater treatment system serving 4932 equivalent residential connections in Citrus  
 19 County. The facility is located in Beverly Hills, Florida. The wastewater system is

1 regulated under FDEP Domestic Wastewater Facility Permit (non-discharging)  
2 FLA011869. CSWR Florida closed on the Rolling Oaks Water and Wastewater  
3 systems on November 30, 2022.

4 Q. PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE  
5 BEVERLY HILLS/ROLLING OAKS WASTEWATER SYSTEM WHEN IT  
6 WAS PURCHASED BY CSWR FLORIDA.

7 A. At acquisition, various components of the facility showed signs of wear and tear, with  
8 deteriorating coatings on structures and above ground piping, issues with components  
9 of the treatment processes, and issues with the overall site itself. Additional issues  
10 requiring repairs and improvements were identified as CSWR Florida began operating  
11 the facility.

12 Issues CSWR Florida was able to identify after it had a chance to operate and  
13 evaluate the facility after closing included the items below:

- 14 • The digester air header was damaged and leaking air
- 15 • Existing aeration drop legs and diffusers were in poor condition
- 16 • A failed blower attributable to a failed motor
- 17 • Clarifier skimmer/rake arm not functioning properly
- 18 • The disinfection dosing system lacked a variable feed rate and disinfection  
19 chemical was stored with no shade structure, which allowed for early chemical  
20 breakdown with UV exposure
- 21 • The roll up door of the shop building was broken
- 22 • The shop building roof was in poor condition
- 23 • The blower building was in poor condition
- 24 • Catwalks and handrails were in poor condition and missing at some locations  
25 around the treatment facility

- Exterior coatings of tanks, piping, and buildings were deteriorating and in poor condition
- Lift Station 14 had only one functional pump
- Discharge piping at lift station 12 was in poor condition
- The control panel for lift stations 1 and 9 control failed shortly after acquisition
- There was no remote monitoring equipment present at the treatment plant and the lift stations
- No fencing was present at lift stations 3, 4, 5, 7, 9, and 10
- Vegetation, trash, and debris had accumulated around the site and along the fence line, damaging perimeter fencing
- Fencing around the site was damaged and/or missing in some locations, including the main gate
- Significant corrosion was notable on all steel tanks, indicating limited useful life for the plant superstructure
- The permit cycle improvement plan required the facility to be upgraded to 1 MGD capacity, and to meet total nitrogen (“TN”) limits
- The facility’s hydrosieve system was regularly overwhelmed, leading to sanitary sewage overflows and nuisance solids entering the facility
- The lime stabilization basin was out of service and needed to be restored, removed, or repurposed
- Effluent pipeline to rapid infiltration basins (“RIBs”) was in poor condition and needed to be repaired or replaced
- Lift stations 5, 7, and 9 lacked guide rail systems necessary for pump maintenance

- Control panels at lift stations 3, 4, 5, 6, and 12 were in poor condition and mounted near the ground
- Lift station 2 had an outdated design and was in poor condition
- Various collection system deficiencies (inadequate, unlocated, and unexercised isolation valves, leaks in collection lines, missing or buried cleanout/manholes, broken manhole rings and missing manhole covers) also were noted. Much of the collection system was determined to be old and made of poor materials necessitating a replacement plan to ensure all old piping is eventually replaced

Q. **DO YOU HAVE ANY OVERVIEW PHOTOS OF THE BEVERLY HILLS/ROLLING OAKS WASTEWATER SYSTEM?**

A. Yes, please see the photos below showing an aerial view of the Beverly Hills/Rolling Oaks Wastewater System and an overview photo.



*Aerial view of the Beverly Hills/Rolling Oaks Community (left) and aerial view of the wastewater treatment plant including drain field area (right).*



*Beverly Hills/Rolling Oaks Wastewater Treatment Facility*

1  
2  
3 Q. PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY  
4 UNDER PREVIOUS OWNERSHIP AND DESCRIBE ANY FDEP  
5 COMPLIANCE AGREEMENTS TO WHICH THE BEVERLY  
6 HILLS/ROLLING OAKS WASTEWATER SYSTEM IS CURRENTLY  
7 SUBJECT.

8 A. The Beverly Hills/Rolling Oaks Wastewater facility had some history of  
9 noncompliance under previous ownership. In January 2018, an FDEP facility  
10 inspection report noted issues related to effluent exceedances of fecal coliform and total  
11 residual chlorine limits; groundwater sample results exceeding limits for total nitrogen,  
12 pH, and nitrate; and damage to the fencing surrounding the effluent disposal area.

13 Over the next several years, no enforcement action was taken against the  
14 system, however the utility regularly reported sanitary sewage overflows (“SSOs”) at  
15 the treatment plant. Most of the reported instances suggested issues with the  
16 configuration or operation of the hydrosieve system installed at the treatment plant.

17 The next instance of noncompliance resulted from an inspection conducted as  
18 part of the permit renewal cycle beginning in November 2021. The inspection noted  
19 solids passing over the clarifier weir, a skimmer failure in the weir, clogs in the aeration



1 basin, uneven aeration in the aeration basin, some blowers not functioning, scum in the  
2 chlorine contact chamber, damage to the baffling in the chlorine contact chamber, a  
3 stilling well with buildup of sludge and debris, handrails and catwalks in poor  
4 condition , the lack of emergency contact information posted at lift stations, pH  
5 exceedances in groundwater sampling, failure to submit biosolids reporting, and a large  
6 number of SSOs during the preceding period. A May 2022 request for additional  
7 information added more issues, including TN and pH exceedances in groundwater  
8 sampling.

9 The permit renewal was completed shortly before the facility was sold to  
10 CSWR Florida; however, the new permit included a requirement to upgrade the  
11 treatment capacity to 1 MGD and to meet TN limits by the next permit cycle.

12 Q. **PLEASE DISCUSS IMPROVEMENTS COMPLETED TO DATE AT THE**  
13 **BEVERLY HILLS/ROLLING OAKS WASTEWATER SYSTEM.**

14 A. Since its acquisition by CSWR Florida, various improvements have been made to the  
15 Beverly Hills/Rolling Oaks Wastewater System. Areas of improvements completed to  
16 date by CSWR Florida include the aeration equipment, the clarifier, the disinfection  
17 system, facility structures, lift stations, monitoring equipment, and general site  
18 conditions.

19 Q. **PLEASE DISCUSS IMPROVEMENTS MADE TO THE BEVERLY**  
20 **HILLS/ROLLING OAKS WASTEWATER AERATION EQUIPMENT.**

21 A. Improvements have been made to the facility's aeration equipment. A damaged air  
22 header for the digester was replaced. Leaking air headers reduce the air supply (in this  
23 case to the digester), which impedes the breakdown of sludge, resulting in higher  
24 sludge hauling costs. Deteriorated drop legs and diffusers have been replaced, and  
25 areas where drop legs and diffusers had been removed previously and not replaced had

new drop legs and diffusers installed. Deteriorated or removed drop legs and diffusers reduce the efficacy of aeration treatment by creating poor diffusion patterns, reducing air flow in leaks, and creating uneven aeration in basins. Restoring the aeration system will result in greater oxygen transfer to water, which improves biological treatment processes, improves mixing and mechanical breakdown of wastewater solids, and eliminates dead spots where mixing does not occur and solids can accumulate in the aeration basin, which results in reduced treatment capacity. A failed blower motor was also replaced to restore treatment effectiveness and facility resiliency by allowing for greater air supply and blower redundancy in the event of blower failures and during maintenance activities.



*Examples of Aeration headers and drop pipes before and after replacement.*



*Blower motor before (left) and after (right) replacement, also repair work to blower building underway at time of photo.*

1 Q. PLEASE DISCUSS IMPROVEMENTS MADE TO THE BEVERLY  
2 HILLS/ROLLING OAKS CLARIFIER.

3 A. As I discussed in the compliance section, the skimmer arm for the clarifier was not  
4 functioning at the time of the permit renewal. This allows pin floc and other floating  
5 solids to pass over the weir trough and leave the facility in effluent, thereby elevating  
6 suspended solids discharged. CSWR Florida has repaired the damaged skimmer to  
7 eliminate this problem.



8  
9 *Clarifier with excessive floating solids before repair (left) and clear following repair (right).*

10 Q. PLEASE DISCUSS IMPROVEMENTS MADE TO THE BEVERLY  
11 HILLS/ROLLING OAKS WASTEWATER DISINFECTION EQUIPMENT.

12 A. As I previously noted, at acquisition the disinfection system lacked any sort of shade  
13 structure over the disinfection chemicals (sodium hypochlorite), and the feed system  
14 used a continuous rate dosing pump. With no shade structure the chemical drum is  
15 exposed to ultraviolet light in sunlight, which leads to a breakdown in the potency of  
16 disinfection chemicals, which requires higher dosing rates and higher chemical costs.  
17 A continuous dosing rate system also leads to higher chemical costs because it does not  
18 adjust chemical dosing based on factors such as time of day or active flow rate through  
19 the disinfection system. CSWR Florida has installed a new shade structure and a new

pumping system to resolve these issues, which should result in reduced chemical costs over time. A new emergency chemical shower and eye wash station was also installed at this location as a safety measure in the event of operator exposure to disinfection chemicals.



*Chemical storage before (left) and after (right) improvement.*



*New variable chemical dosing pump (left) and emergency chemical shower and eyewash station (right)*

**Q. PLEASE DISCUSS IMPROVEMENTS MADE TO THE BEVERLY HILLS/ROLLING OAKS STRUCTURES.**

**A.** In addition to the issues I already discussed, at acquisition issues related to the condition of structures and coatings were identified throughout the site. These included a failed roll up door on the shop building, a failing roof on the shop building, overall poor



condition on the blower building, damaged or missing handrails and catwalks around the treatment facility, and deteriorating coatings on the facility's tanks, pipes, and other equipment. Repairs and regular maintenance of basic facility structures like these are important to protect equipment and materials stored within. Handrails and catwalks are essential to operator safety. Structure and equipment coatings are essential to protect equipment and halt corrosion processes that can lead to failures and reduce useful life. CSWR Florida has made the appropriate structure repairs, recoated all tanks, structures, and appropriate equipment, and made repairs and improvements to the catwalk and handrail systems, including repainting all handrails and stairs in high visibility coatings to enhance operator safety.



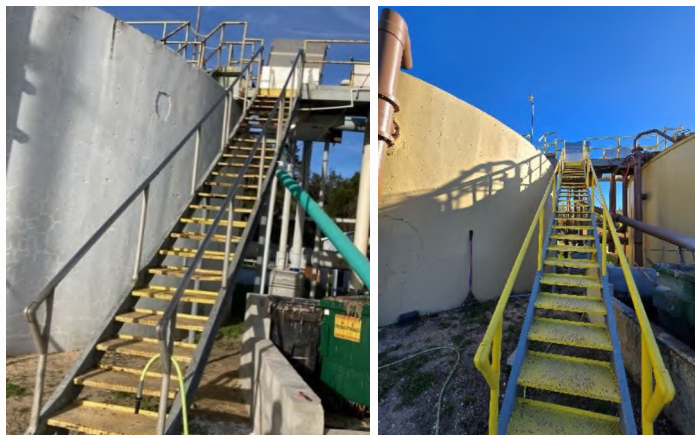
*Facility tanks before (left) and after (right) recoating.*



*Disinfection mixing tank before (left) and after (right) recoating and repainting handrails*



1 *and stair treads.*



2

3 *Main access stairs before (left) and after recoating and adding high visibility paint.*



4

5 *Typical conditions of handrails before (left) and after (right) recoating.*



6

7 *Typical condition of catwalks and rails before (left) and after (right) improvements.*



*Examples of before (left) and after (right) recoated piping and equipment (effluent pumps and piping)*

**Q. PLEASE DISCUSS IMPROVEMENTS MADE TO THE BEVERLY HILLS/ROLLING OAKS LIFT STATIONS.**

**A.** At acquisition, many of the lift stations exhibited problems that required repairs and improvements. Lift stations must be properly maintained to prevent backups and properly convey wastewater to the treatment facility, and failure to do so can affect customers or lead to SSOs. CSWR Florida has begun necessary lift station improvements, including replacing broken pumps, making repairs to discharge piping, and replacing damaged control panels. All tripping hazards have been painted or repainted with high visibility paint to ensure operator safety. Where fencing was missing or damaged at lift stations, new fencing was installed to prevent unauthorized entry, which helps ensure equipment functions properly and members of the public are not exposed to treatment equipment or wastewater. CSWR Florida will make further lift station improvements to further improve operational function and resiliency.





*Examples of high visibility paint application to tripping hazards.*



*Example of before (left) and after (right) control panel replacement at Lift Station #9. Note remote monitoring unit to the left of the new panel installed as well to be discussed below.*



*Example of new fencing installed at lift stations.*

At acquisition, the facility and lift stations also did not include remote monitoring equipment. Remote monitoring equipment has been installed at the

wastewater treatment facility and all lift stations. Remote monitoring equipment allows live collection of data, providing continuous information on system performance and equipment status over time allowing for more precise and efficient operations, and provides operators with real-time information concerning system performance and equipment status. This allows for immediate notifications regarding abnormal operating conditions and emergencies, which often enable operations staff to respond to and address problems before they can result in service interruptions.



*Examples of new remote monitoring equipment installed at the lift stations (left and center) and the treatment plant (right).*

**Q. PLEASE DISCUSS GENERAL SITE IMPROVEMENTS MADE TO THE BEVERLY HILLS/ROLLING WASTEWATER SYSTEM.**

**A.** As I previously stated, facility fencing was in poor condition or even missing altogether in some locations. Some areas were overgrown or had trash and debris along the property perimeter, which had caused damage to fencing. CSWR Florida has cleared the vegetation and debris and repaired or replaced fencing as appropriate.

**Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO COMPLETE IN THE FUTURE AT THE BEVERLY HILLS/ROLLING OAKS WASTEWATER SYSTEM.**

**A.** Further improvements are needed at the Beverly Hills/Rolling Oaks wastewater system

1 to ensure consistent compliance with regulatory requirements, to ensure the facility is  
2 in safe and operable condition, and to ensure that the facility can be maintained moving  
3 forward. The most significant improvement required is to upgrade the plant capacity  
4 to 1 MGD and to meet total nitrogen effluent limits of 3 mg/l. Given the poor condition  
5 and limited remaining useful life of the facility tanks and plant superstructure, a new  
6 plant will need to be constructed to meet these requirements. To make sure no other  
7 options were available, CSWR Florida reached out to the nearest publicly-owned  
8 treatment works ("POTW") to explore the viability of connecting to that facility.  
9 However, the nearest POTW advised CSWR Florida the existing POTW facility did  
10 not have sufficient capacity for flows from the Beverly Hills/Rolling Oaks wastewater  
11 system. Therefore, connection to the POTW would require CSWR Florida to pay for  
12 upgrades to that facility. After analysis, CSWR Florida determined the option with the  
13 lowest likely rate impact would be for CSWR Florida to construct a new facility at the  
14 Beverly Hills/Rolling Oaks site and then decommission failing components of the  
15 existing facility. The new plant, which is currently in the design phase, will provide  
16 both greater capacity (as required by the FDEP permit) and improved biological  
17 treatment of total nitrogen to permit limits. Until CSWR Florida can complete design,  
18 permitting, bidding, and construction of the new facility, some interim improvements  
19 are required to ensure the existing facility can continue to function within permit limits.  
20 The main issue that remains to be addressed at the existing facility is the hydrosieve  
21 system, which is regularly overwhelmed by existing flows. This leads to clogs of the  
22 hydrosieve, which causes overflows of wastewater, and nuisance solids entering the  
23 treatment plant. To resolve this problem, the out of service lime stabilization basin will  
24 be converted into an influent surge basin, the existing hydrosieve will be relocated to  
25 this tank, and one or two additional hydrosieves will be installed to split the flow and



1 thereby prevent the system from being overwhelmed. This will also require pumping  
 2 modifications to then convey the screened wastewater to the existing headworks.



3  
 4 *Overwhelmed hydrosieve (right) resulting in overflows of wastewater at the nuisance solids*  
 5 *collection dumpster (left).*



6  
 7 *Out of service lime stabilization tank to be converted to influent surge basin (left) and*  
 8 *additional hydrosieves on site to be repaired for use (right)*

9 Additional improvements will be made to the lift stations, including the  
 10 installation of new guiderails at lift stations 5, 7, and 9 to aid in future pump  
 11 maintenance. The control panels at lift stations 3, 4, 5, 6, and 12 are in poor condition  
 12 and will be replaced to ensure reliable function. Finally, because lift station 2 is in poor  
 13 condition and is an older-style dry well lift station, it will be replaced to ensure proper  
 14 function.



*Lift station 2 dry well basin*

Additional work is also required to the collection system and wastewater conveyance piping. The wastewater piping, both in the collection system and running from the treatment plant to the rapid infiltration basins, is old and nearing the end of its useful life. A line replacement plan will identify problem areas, prioritize areas for replacement, and establish a replacement schedule to ultimately replace all piping as required. Additional issues identified in the collection system will continue to be addressed, including repairing leaks and breaks as they are identified, working to locating and exposing any buried manholes and cleanouts, repairing or replacing any missing or damaged manhole covers, and repair to any damaged manhole rings.

#### **G. Rolling Oaks Water System**

**Q. PLEASE DESCRIBE THE ROLLING OAKS WATER SYSTEM AS IT EXISTED AT ACQUISITION.**

**A.** The Rolling Oaks drinking water system is a community drinking water system serving 6282 equivalent residential connections in Citrus County, Florida. The Rolling Oaks drinking water system is a groundwater system consisting of nine active groundwater wells with two elevated 300,000-gallon storage tanks. CSWR Florida closed on the Rolling Oaks Water and Wastewater systems on November 30, 2022. Bellow is a table

1 of the well and storage components of the Rolling Oaks Water system with basic  
2 information on each asset.

| Component Description | Location               | Size (GPM)  | Year Drilled  | Depth     | Casing | HP  |
|-----------------------|------------------------|-------------|---------------|-----------|--------|-----|
| Well # 1              | 27 N Monroe St         | 400         | 1961          | 320'      | 10"    | 40  |
| Well #2               | 27 N Monroe St         | 400         | 1961          | 350'      | 10"    | 40  |
| Well #4               | 17 S Osceala St        | 400         | 1969          | 280'      | 10"    | 40  |
| Well #5               | 71 S Osceala St        | 550         | 1969          | 208'      | 10"    | 50  |
| Well # 6              | 74 S Washington St     | 400         | 1969          | 340'      | 10"    | 40  |
| Well # 7              | 200 S Monroe St        | 600         | 1975          | 405'      | 12"    | 60  |
| Well # 8              | 267 Fathom Loop        | 750         | 1975          | 405'      | 12"    | 100 |
| Well # 9              | 37 SJ Kellner Blvd     | 800         | 1981          | 455'      | 12"    | 100 |
| Well # 10             | 324 W Staggerbush Path | 800         | 1987          | 300'      | 12"    | 100 |
|                       |                        |             |               |           |        |     |
| Elevated Tanks        | Location               | Size (Gal.) | Last Inspect. | Repainted |        |     |
| North Tank            | 5 Esskey St            | 300,000     |               | 2021      |        |     |
| South Tank            | 4 Laurensire St        | 300,000     | Apr-19        | 2022      |        |     |

3  
4 **Q. PLEASE DESCRIBE THE CONDITION OF THE ROLLING OAKS**  
5 **WASTEWATER SYSTEM WHEN IT WAS ACQUIRED BY CSWR FLORIDA.**

6 **A.** At closing, CSWR Florida identified a number of issues with the Rolling Oaks drinking  
7 water system that require repairs or improvements to ensure the system can provide  
8 safe and reliable service and can be properly and efficiently maintained and operated.  
9 These issues include the following items:

- 10 • All wells are due for evaluation and potential repair or rehabilitation due to age
- 11 • Electrical systems at all well houses are original and are reaching the end of
- 12 their useful lives
- 13 • Sodium hypochlorite drums at all well sites lacked spill protection
- 14 • No chlorine residual monitoring was present at any well site
- 15 • No remote monitoring equipment was present at any of the wells
- 16 • There was a main break along Fores Ridge Boulevard requiring road restoration
- 17 • Although their overall condition was generally good, various minor damage

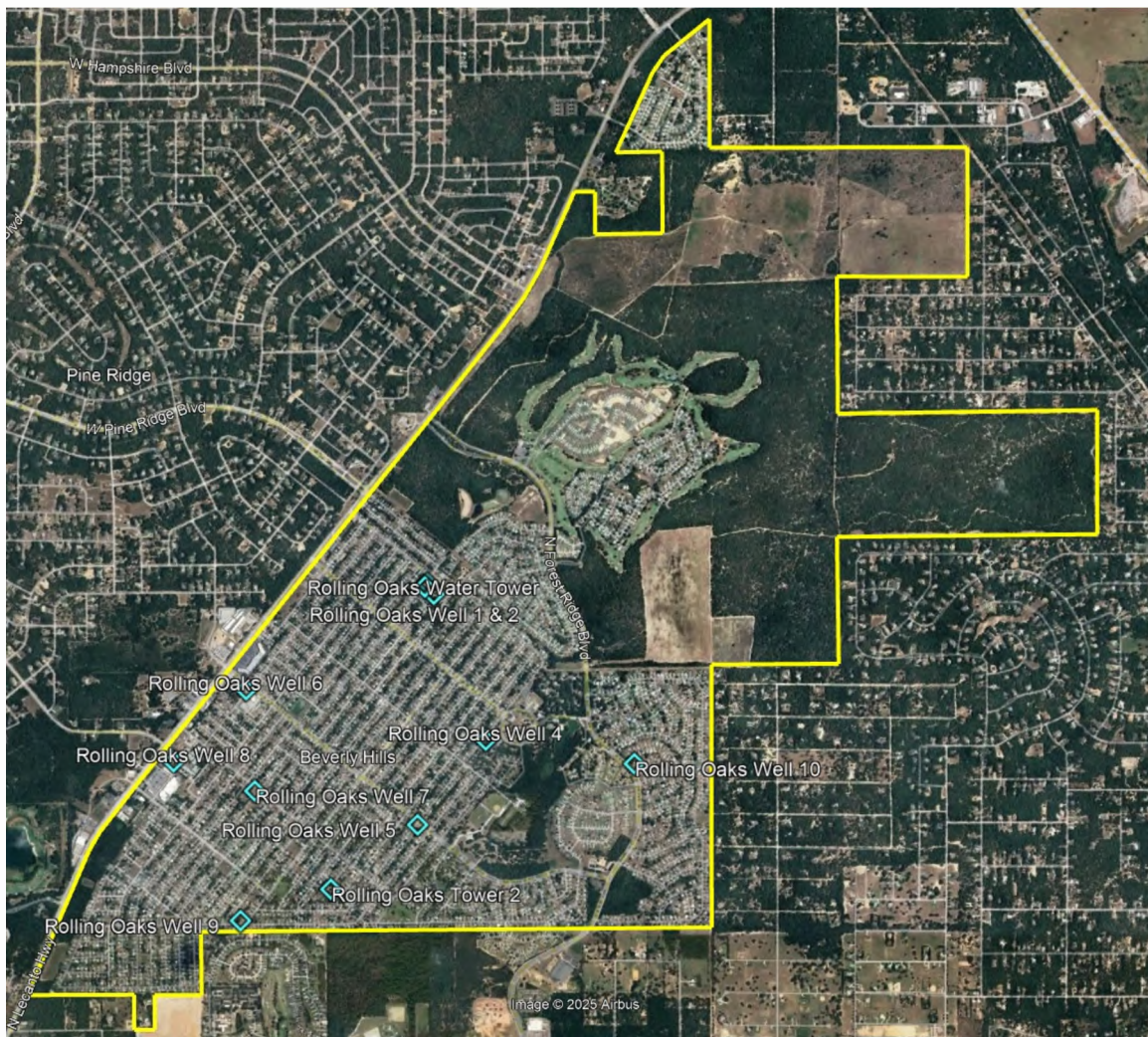
was observed on well houses and the structures appeared to be due for repainting to extend their useful lives

- The roof on well houses 8 and 9 were in poor condition
- Fencing at both the elevated storage tank sites and at well sites 1 and 2 site were rusted and had areas with significant damage
- The pump at well 10 began failing shortly after the acquisition closed, thereby reducing production.
- Only the primary wells are on backup power, which can supply the system during outages, but if either well fails during an outage the system would experience a water shortage
- Various collection system deficiencies were noted, including inadequate, unlocated, and unexercised isolation valves; leaks in collection lines; missing or buried cleanouts and manholes; broken manhole rings, and missing manhole covers
- The meters in the system are aging and are due for replacement

**Q. DO YOU HAVE ANY OVERVIEW PHOTOGRAPHS OF THE ROLLING OAKS DRINKING WATER SYSTEM?**

**A.** Yes, the photographs below show an aerial view of the Rolling Oaks drinking water facilities.





1

2

*Aerial view of the Rolling Oaks Community.*



3

4

*Aerial view of well 1, well 2, and elevated storage tank 1 site (left) and ground level view of*

5

*well 1 (right).*





1

2

*Well 2 site (left) and elevated storage tank 1(right).*



3

4

*Aerial view(left) and ground level view (right) of well 4 site.*



5

6

*Aerial view(left) and ground level view (right) of well 5 site.*



1

2

*Aerial view(left) and ground level view (right) cf well 6 site.*



3

4

*Aerial view(left) and ground level view (right) cf well 7 site.*



5

6

*Aerial view(left) and ground level view (right) cf well 8 site.*





*Aerial view(left) and ground level view (right) cf well 9 site.*



*Aerial view(left) and ground level view (right) cf well 10 site.*



*Aerial view(left) and ground level view (right) cf elevated storage tank 2 site.*

**Q. PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY OF THE ROLLING OAKS WATER SYSTEM UNDER PREVIOUS OWNERSHIP.**

**A.** A review of the compliance history of the Rolling Oaks drinking water system in the

1 five years immediately preceding its acquisition by CSWR Florida shows some  
2 instances of noncompliance related to monitoring and reporting requirements. A  
3 review of the EPA Safe Drinking Water Information System (SDWIS) database shows  
4 four instances of monitoring and reporting violations consisting of late routine lead and  
5 copper samples in 2018 and 2022 and two monitoring violations related to a positive  
6 bacteriological sample from Well 7 in 2019. A review of the FDEP database showed  
7 repeated issues with positive bacteriological samples in groundwater from Well 7  
8 throughout the five years preceding the system's acquisition by CSWR Florida. There  
9 were also a series of water odor complaints resulting in four Warning Letters issued in  
10 August 2022, which suggest the prior owner of the utility was not taking the complaint  
11 seriously. There are no compliance agreements or Consent Orders currently in effect  
12 for the Rolling Oaks drinking water system.

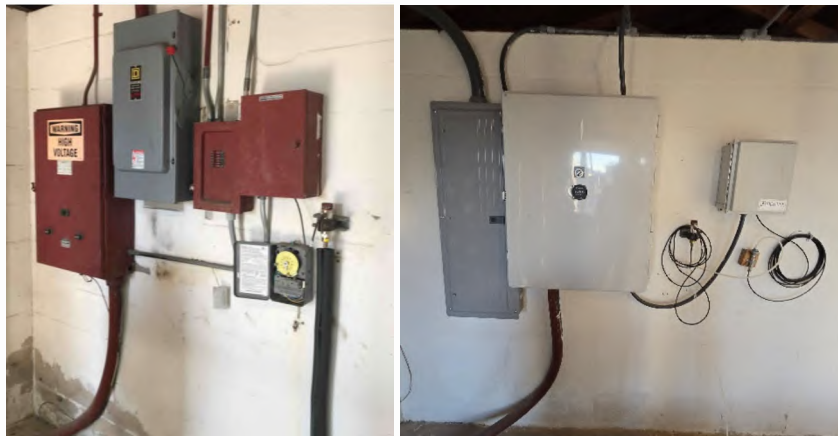
13 Q. **PLEASE DESCRIBE IMPROVEMENTS COMPLETED TO DATE AT THE**  
14 **ROLLING OAKS DRINKING WATER SYSTEM.**

15 A. Since it acquired the Rolling Oaks system CSWR Florida has made several  
16 improvements to the drinking water system. Due to the age of the system, all wells  
17 were due for evaluation and potentially repairs or reworking. This process began with  
18 the rehabilitation of well 6, which also included replacing the electrical system at the  
19 well house. The existing electrical controls and service were installed when the system  
20 was originally built and had reached the end of their useful life.



1

2 *Well 6 before (left) and after (right) rehab work. Motor and pump serviced, leaking section*  
3 *cf pipe replaced.*



4

5 *Well 6 electrical before (left) and after (right) replacement.*

6 All sodium hypochlorite drums at the well sites were single wall drums with no  
7 spill containment. Due to the limited space for containment in the well houses, single  
8 walled drums were replaced with double walled drums at all nine well sites to help  
9 reduce the risks of spills and to contain spills that occur.





*Example of sodium hypochlorite drums before (left) and after (right) replacement in this cast at Well 6.*

At acquisition, the well sites lacked remote monitoring and chlorine residual monitoring equipment. Remote monitoring equipment and a continuous chlorine analyzer have been installed. These analyzers actively monitor to ensure adequate chlorine residuals are maintained to prevent bacteriological contamination issues in the drinking water and to also reduce manual testing requirements.



*Examples of remote monitoring unit installed at each well site (left) and new chlorine residual monitoring equipment installed at each well site (right) (examples from Well 8 site).*

Various issues with well house structures were identified that required repairs or improvements. All cinder block buildings were painted and repaired, as necessary, to ensure their longevity. The roofs of the well houses at wells 8 and 9 were in poor condition and were replaced to protect the equipment inside.



1

2 *Example of before (left) and after (repainting) (example is the Well 5 well house)*



3

4 *Example of deteriorating (left) and replaced (right) fencing at Elevated Storage Tank 1.*



5

6 *Example of damaged (left) and new (right) fencing at Well 2 site.*

7 Distribution system improvements have also begun at the Rolling Oaks  
 8 drinking water system. This includes typical repairs like locating, exercising, and  
 9 potentially repairing isolation valves, repairing fire and flushing hydrants, and repairing

1 leaks. There was also a significant main break that required repair and restoration of a  
2 section of the Forest Ridge Boulevard main.

3 Q. PLEASE DESCRIBE IMPROVEMENTS CSWR FLORIDA PLANS TO  
4 COMPLETE IN THE FUTURE AT THE ROLLING OAKS DRINKING  
5 WATER SYSTEM.

6 A. In addition to the improvements I have already mentioned, additional improvements  
7 are needed at the Rolling Oaks drinking water system to ensure the facilities are in a  
8 safe and operable condition that can meet regulatory requirements and be properly and  
9 efficiently maintained. Shortly after closing the system's acquisition, the pump at well  
10 failed. This is one of the primary wells used for water supply and one of two with  
11 emergency backup power, so it is essential to restore it to service and keep it running.  
12 The well pump, motor, shaft, and column pipe must be replaced to restore the well.  
13 Although well 6 has already undergone evaluation and rehabilitation, all wells will  
14 require additional work due to their ages. Well 10 is already being rehabilitated due to  
15 the previously mentioned pump failure, and the remaining seven wells will be evaluated  
16 and rehabilitated as appropriate. This will include replacing aging electrical systems  
17 at all wells. In addition, a backup generator will be installed to provide emergency  
18 power to both wells 1 and 2. Currently only the primary wells (wells 8 and 10) have  
19 backup power, and problems related to the pump failure experienced at well 10 showed  
20 why this is not adequate. Maintaining backup power for wells 1 and 2 will ensure the  
21 system will not experience water shortages in the event of a power outage, even if one  
22 of the primary wells is also out of service. Although the two elevated storage tanks are  
23 in good condition and had been painted prior to the acquisition, the existing  
24 maintenance contract will not continue. Shortly after closing the Rolling Oaks system,  
25 operations staff noted the contractor was making frequent visits to the facility and



1 billing the system for each visit. The visits were occurring more frequently than  
2 inspections needed to occur and much of the day to day inspection process was also  
3 being performed by the operations staff, making the visits redundant. To reduce  
4 associated expenses CSWR Florida asked the contractor to reduce the frequency of the  
5 visits, but the contractor refused. Therefore, CSWR Florida terminated the contract  
6 and hired a different contractor to provide tank inspections. These changes will reduce  
7 operations and maintenance costs associated with the elevated storage tanks.

8 The remaining work CSWR Florida has planned relates to maintenance and  
9 improvements to the distribution system. General improvements are planned,  
10 including ongoing identification and repairs of leaks or breaks; identification,  
11 evaluation, and repair of isolation valves and installation of additional valves where  
12 needed; and installation of automatic flushing units on flushing hydrants and dead end  
13 fire hydrants to reduce accumulation of debris in water lines. Additionally, because of  
14 the age of the meters, a meter replacement program will be implemented which will  
15 result in all customer meters being eventually replaced.

#### 16 **H. Neighborhood Utilities Water System**

17 **Q. PLEASE DESCRIBE THE NEIGHBORHOOD UTILITIES DRINKING**  
18 **WATER SYSTEM AS IT EXISTED AT THE TIME OF ITS ACQUISITION BY**  
19 **CSWR FLORIDA.**

20 **A.** The Neighborhood Utilities drinking water system is a community drinking water  
21 system serving 447 equivalent residential connections in Duval County, Florida. The  
22 drinking water system serves two subdivisions in the southwestern portion of  
23 Jacksonville. CSWR Florida closed on the Neighborhood Utilities water system on  
24 November 17, 2022.

25 The Neighborhood Utilities drinking water system is a groundwater system

1 with two wells, though only one was in service and properly registered for use. The  
2 system has an emergency use water connection to the City of Jacksonville (JEA) water  
3 system.

4 Q. PLEASE DESCRIBE THE CONDITION OF THE NEIGHBORHOOD  
5 UTILITIES WATER SYSTEM WHEN IT WAS ACQUIRED BY CSWR  
6 FLORIDA.

7 A. At acquisition, several issues with the Neighborhood Utilities drinking water system  
8 were identified that would require repairs or improvements to ensure the system can  
9 provide safe and reliable service and can be properly maintained and operated moving  
10 forward. Those issues included the following:

- 11 • Well pump was reaching the end of useful life and failed shortly after  
12 acquisition
- 13 • Tank coatings were in poor condition and tanks were overdue for evaluation for  
14 potential repairs or replacement
- 15 • No remote monitoring was present at the well or treatment sites and missing  
16 metering equipment, including flow metering, was noted
- 17 • The system had no continuous chlorine monitoring equipment
- 18 • The emergency generator has been out of service since 2017
- 19 • No lighting for after-hours operations response
- 20 • Well 1 was out of service but not properly abandoned
- 21 • Well 2 was in poor condition and overdue for evaluation and rehabilitation
- 22 • The two ground storage tanks were in poor condition
- 23 • The aerator mounted to Tank 2 was in poor condition
- 24 • The functioning well does not have a soft start or variable frequency drive



(“VFD”), which could lead to water hammer events and cavitation when the well starts, resulting in undue wear on pump and piping

- Booster pumps lack VFD, which would allow more efficient operations and reduce water hammer
- The booster pumps were reaching the end of their useful lives and would need to be replaced soon
- Emergency water connection with the City of Jacksonville is not properly metered
- Distribution system issues were noted, including leaks, inadequate or damaged isolation valves and flushing hydrants.

Q. DO YOU HAVE ANY OVERVIEW PHOTOGRAPHS OF THE NEIGHBORHOOD UTILITIES DRINKING WATER SYSTEM?

A. Yes, the photographs below show an aerial view of the Neighborhood Utilities drinking water facility.



*Aerial view of the Neighborhood Utilities Community.*



*Well 2 site at acquisition (left aerial view, right ground level view).*



*Main water site at acquisition (left aerial view, right ground level view).*

**Q. PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY OF THE NEIGHBORHOOD UTILITIES SYSTEM UNDER PREVIOUS OWNERSHIP.**

**A.** A review of the compliance history of the Neighborhood Utilities drinking water system during the five years immediately preceding its acquisition by CSWR Florida shows regular instances of noncompliance related to monitoring and reporting requirements as well as noncompliance related to the condition of utility assets. A review of the EPA Safe Drinking Water Information System (SDWIS) database shows five violations of monitoring and reporting requirements related to coliform sampling, lead and copper sampling, and consumer confidence reporting. A review of FDEP's

1 database shows violations consistent with those reported in the SDWIS database as  
2 well as warning letters and an eventual Consent Order, with an assessed fine, related to  
3 an ongoing failure to address issues regarding the condition of various system assets.  
4 This FDEP compliance record began with a Warning Letter issued in May 2019, which  
5 concerned a missing bacteriological sample, rust located below the aerator on Tank 2,  
6 and agency's finding that the emergency generator did not function. The letter noted  
7 that the rust and generator issues had originally been highlighted in 2017 but had still  
8 not been addressed. An additional Warning Letter was issued in September 2020, and  
9 noted that pump 2 was leaking, the well pump was leaking (with biological growth on  
10 the well casing), and that the generator was still nonfunctional after more than three  
11 years. A Consent Order was issued in April 2022, which highlighted all the same issues  
12 as the 2020 Warning Letter because none of those issues had been addressed. The order  
13 included a \$2,500 penalty (including enforcement costs).

14 The prior owner's failure to address issues at the treatment plant despite  
15 repeated warnings from FDEP over the course of several years indicates a general  
16 failure in the operation and maintenance of the facility and an inability or unwillingness  
17 of the prior owners to adequately invest in repairs and improvements required by  
18 FDEP.

19 There are no active compliance agreements or Consent Orders currently in  
20 effect for the Neighborhood Utilities drinking water system.

21 Q. **PLEASE DESCRIBE IMPROVEMENTS COMPLETED TO DATE AT THE**  
22 **NEIGHBORHOOD UTILITIES WATER SYSTEM.**

23 A. CSWR Florida has already completed several upgrades and improvements to the  
24 Neighborhood Utilities drinking water system. First, because well pump on Well 2 was  
25 in poor condition and failed shortly after acquisition, CSWR Florida replaced the pump

1 to restore service to the system. Additional maintenance work was performed on the  
2 well itself, including clearing nuisance vegetation, replacing damaged piping, and  
3 installing a new flow meter.



4  
5 *Well 2 pump before (left) and after replacement (right) well casing and wiring also replaced.*

6 Tank inspections have been completed on all tanks at the Neighborhood  
7 Utilities site. As a result, it was determined that both ground storage tanks were in poor  
8 condition and would need to be replaced. The hydropneumatic tank was found to be  
9 in fair condition, so the interior and exterior of the tank was recoated to extend its useful  
10 life. A new compressor was also installed to maintain pressure and air gap in the  
11 hydropneumatic tank. The replacement of the ground storage tanks will take time for  
12 design, permitting, equipment lead time, and construction. To address the longer-term  
13 issues related to corrosion on Tank 2 until the it can be replaced, the exterior of Tank  
14 2 was recoated.





1

2

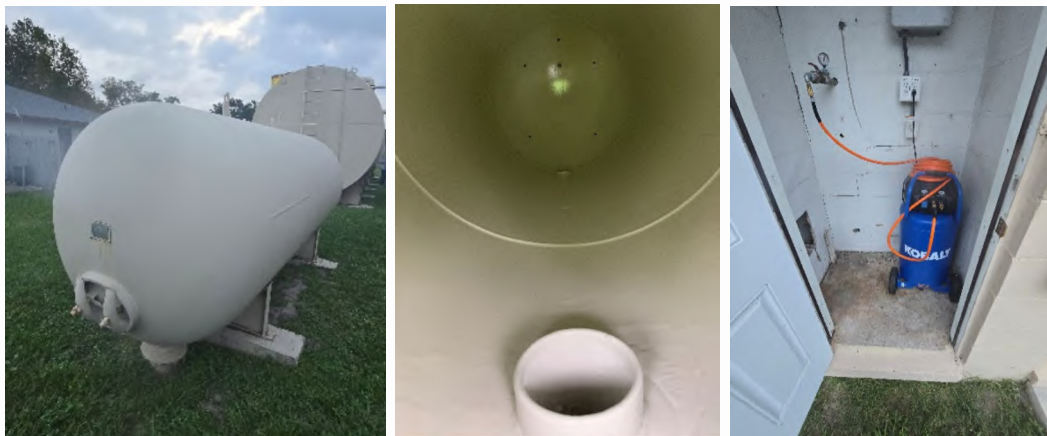
*Examples of rust on the ground storage tanks and general poor condition.*



3

4

*Exterior recoating completed on Tank 2 and the aeration unit.*



5

6

*Recoated hydropneumatic storage tank exterior (left) and interior (center) and new*

7

*compressor for hydropneumatic storage tank (right).*

8

As I previously testified, at acquisition no remote monitoring equipment was

9

present at the water treatment plant or the well site. CSWR Florida has installed remote



1 monitoring equipment at both locations and installed a continuous chlorine analyzer.  
2 These analyzers ensure that adequate chlorine residuals are maintained in drinking  
3 water to prevent bacteriological contamination issues in the drinking water and reduce  
4 manual testing requirements, and the remote monitoring equipment allows operators to  
5 monitor the analyzers to ensure they are performing as required.



6

7 *Remote monitoring unit (left) and continuous chlorine monitor installed at Neighborhood*

8

#### *Utilities*

9 As I discussed in the compliance section of my testimony, the emergency  
10 generator has been nonfunctional since 2017 and has resulted in numerous warning  
11 letters and a Consent Order. CSWR Florida replaced the generator to ensure the facility  
12 can deliver uninterrupted service in the event of a power outage. Flood lighting has  
13 also been installed to ensure operators can safely complete maintenance activities after  
14 dark and during emergency maintenance responses.



1

2 *Emergency generator at Neighborhood Utilities before (left) and after (right) replacement.*

3

4

*New flood lighting.*

5

6

7

Safety equipment, including a chemical shower and emergency eye wash station, has also been installed at the treatment site to ensure operator safety in the event of a fire or exposure to disinfection chemicals.



8

9

*New emergency eye wash station and chemical shower.*

1 Q. PLEASE DESCRIBE IMPROVEMENTS CSWR FLORIDA PLANS TO  
2 COMPLETE IN THE FUTURE AT THE NEIGHBORHOOD UTILITIES  
3 WATER SYSTEM.

4 A. Further improvements are needed at the Neighborhood Utilities drinking water system  
5 to ensure the facilities are in safe and operable condition, that the facility can meet  
6 regulatory requirements, and that the facilities can be properly and adequately  
7 maintained. As previously testified, well 1 has been out of service for some time but  
8 was not properly abandoned by the prior owner. CSWR Florida will properly  
9 decommission and abandon the well to protect groundwater quality and eliminate a  
10 tripping hazard from the water treatment site.



11  
12 *Well 1 needs to be properly decommissioned and removed.*

13 While the well pump and some of the piping was replaced, well 2 still requires  
14 additional rehabilitation work. The well is being evaluated to also determine if  
15 chemical treatment or subsurface casing repair is needed. A flow meter will be installed  
16 on the well and piping that has not already been coated with a protective coating yet  
17 will be properly painted. The well will also have a soft start controller installed to  
18 reduce risk of cavitation, reduce wear and tear on the motor, and reduce water hammer  
19 in the line connecting the pump to the treatment site.



*Well 2, new piping needs to be painted, flow meter needed, etc.*

Tank 1 and tank 2 as the aeration treatment unit mounted on tank 2 are in poor condition. The two tanks will be replaced with a single, larger ground storage tank (a standpipe) and a new aeration treatment unit will be installed.



*Tanks 1 & 2 (left) to be replaced with a single larger ground storage tank and aeration treatment unit (right) to be replaced.*

The high service pumps are in poor condition and are nearing the end of their useful lives. In addition, since closing on acquisition of the system, one of the three pumps has failed. To ensure the pumping system can continue to ensure adequate system pressure, the booster pumps will be replaced. The existing high service/booster pump system also does not include VFDs in the control system, which allows pumps to run at less than full power and allows pumps to be ramped up rather than starting at



1 full power. This helps to reduce power consumption, reduce wear and tear to pumps,  
2 and reduce pressure hammer when pumps turn on. CSWR Florida will install VFDs  
3 on the booster pump control system.



4  
5 *Booster pumps in need of replacement, note empty pump flange from pump which failed since*  
6 *acquisition by CSWR Florida, emphasizing the poor condition of the pumps.*

7 The remaining areas requiring additional improvements relate to the  
8 distribution system. I previously testified that the emergency interconnect with the City  
9 of Jacksonville drinking water system is not properly metered. A new meter pit, master  
10 meter, backflow preventer, and shutoff will be installed to ensure proper  
11 interconnection. Other improvements to the distribution system will focus on general  
12 distribution repairs, including exercising, repairing, and installing additional isolation  
13 valves, installation of automatic flushers on flushing hydrants, and repairs to any leaks  
14 or breaks that can be identified will be repaired.

#### 15 I. Tymber Creek Wastewater System

16 Q. **PLEASE DESCRIBE THE TYMBER CREEK WASTEWATER SYSTEM AS IT**  
17 **EXISTED AT THE TIME OF ITS ACQUISITION BY CSWR FLORIDA.**

18 A. The Tymber Creek wastewater system is a wastewater treatment facility and collection  
19 system serving 430 equivalent residential connections in Marion County, Florida.



1 CSWR Florida closed on its acquisition of the Tymber Creek water and wastewater  
2 systems on May 31, 2024.

3 Q. PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE  
4 TYMBER CREEK WASTEWATER SYSTEM WHEN IT WAS ACQUIRED.

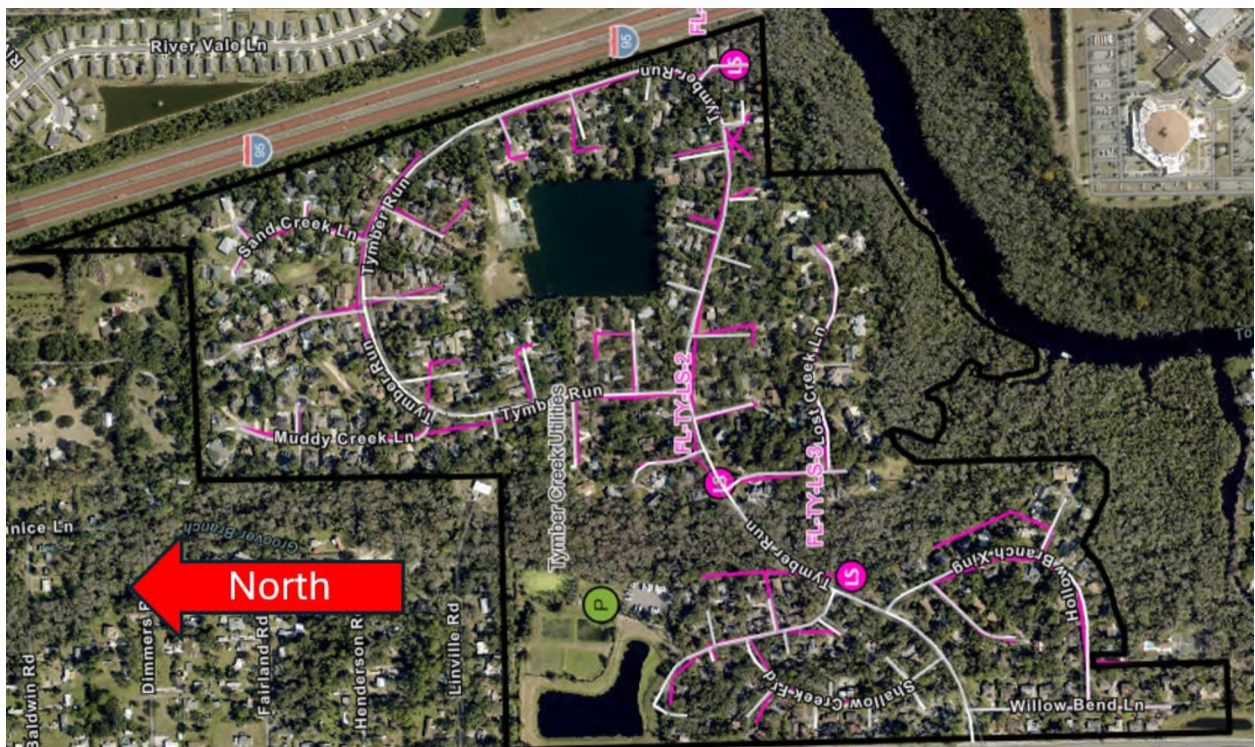
5 A. There were many issues with the Tymber Creek facility when acquired by CSWR  
6 Florida. This is further supported by the information reviewed in the facility  
7 compliance history below. Issues identified as requiring repair, replacement, or  
8 improvement include the following:

- 9 • Sludge accumulation was noted in several portions of the treatment plant, which  
10 contributes to total suspended solids (“TSS”) exceedances and reduces  
11 treatment capacity.
- 12 • No remote monitoring was present at treatment plant or lift station.
- 13 • The system’s flow meter was in poor condition and the current meter cannot  
14 communicate with the new remote monitoring system installed by CSWR  
15 Florida.
- 16 • No washdown water system was present at the facility.
- 17 • Blowers are in poor condition and reaching the end of their useful lives.
- 18 • Sand filter media is impacted in some locations, contributing to the ongoing  
19 daily maximum limit TSS exceedances.
- 20 • Rapid infiltration basin 4 was unusable at acquisition due to a failed valve.
- 21 • Ongoing sanitary sewage overflow (SSO) issues under previous ownership  
22 revealed issues with all lift stations, requiring equipment repairs at lift stations  
23 2 and 3 the total replacement of lift station 1.
- 24 • Lift Station 1 lacked security fencing at acquisition.

- The system's FDEP permit requires composite sampling, and no composite sampler was on site at acquisition.
- No emergency eyewash and shower present in connection with the disinfection chemical system.
- Various collection system deficiencies were noted, including inadequate, unlocated, and unexercised isolation valves, leaks in collection lines, missing or buried cleanout/manholes, broken manhole rings and missing manhole covers.

Q. DO YOU HAVE ANY OVERVIEW PHOTOGRAPHS OF THE TYMBER CREEK WASTEWATER SYSTEM?

A. Yes, please see the photos below showing an aerial view of the Tymber Creek wastewater treatment facility.



*Aerial view of the Tymber Creek Community.*



1

2     *Aerial view (left) and ground level (right) photos of Tymber Creek WWTF at acquisition.*

3     **Q.     PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY OF**  
 4     **THE TYMBER CREEK SYSTEM UNDER PREVIOUS OWNERSHIP.**

5     A.     The Timber Creek wastewater facility has a long history of noncompliance prior to its  
 6     acquisition by CSWR Florida. While the previous owner was somewhat responsive to  
 7     problems identified by FDEP, some issues were never permanently addressed leading  
 8     to noncompliance issues that still required action when CSWR Florida took ownership.  
 9     A review of noncompliance related documentation in the FDEP database for the five  
 10    years leading to acquisition by CSWR Florida showed several ongoing issues with the  
 11    Tymber Creek system. In June 2020, Volusia County conducted an inspection which  
 12    found effluent exceedances in sampling history. In February 2021, Volusia County  
 13    conducted another inspection and noted excessive accumulation of solids in rapid  
 14    infiltration basins 1 and 2. In April 2021, during the facility's permit renewal cycle,  
 15    total suspended solids, pH, fecal coliform, and nitrate exceedances were noted.  
 16    Shortly thereafter, in May 2021, FDEP conducted an inspection that noted the same  
 17    issues highlighted in the permit renewal process and identified several additional issues  
 18    related to DMR and groundwater sample reporting. The FDEP issued a Consent Order  
 19    to allow a schedule of compliance to be established to resolve issues related to the

1 TSS”) and nitrate limit exceedances. The Consent Order, issued in July 2021, required  
2 Tymber Creek’s previous owners to implement operational improvements, conduct an  
3 evaluation to determine the causes of the violations, submit a modification plan to allow  
4 the facility to meet limits, agree to a schedule of compliance for completing  
5 improvements, and submit a sanitary sewage overflow response plan. In January 2023,  
6 Volusia County conducted an inspection and noted noncompliance because the flow  
7 meter calibration was out of date and one blower was inoperable. In September 2023  
8 an inspection report and Compliance Assistance Offer highlighted ongoing exceedance  
9 of TSS daily maximum limits, continuing reporting issues, a failure to maintain the  
10 SSO (Sanitary Sewage Overflow) response plan and collection system operations and  
11 maintenance plan on site and also noted the flow meter calibration was out of date, as  
12 previously noted in the Volusia County inspection. In November 2023, a complaint  
13 investigation was conducted when members of the community complained a lift station  
14 regularly overflowed wastewater into a ditch. The state investigated and confirmed an  
15 ongoing/recurring SSO problem that the utility seemed to know about but had never  
16 reported to the state. (All SSOs are required to be reported as an unauthorized discharge  
17 and must be addressed as soon as the utility becomes aware of the issue.) This  
18 determination led to the issuance of a Warning Letter. Following receiving the warning  
19 letter emphasizing the requirement to report all SSOs, the utility began regularly  
20 reporting SSOs throughout the remainder of the compliance history. A new Consent  
21 Order was issued in March 2024 which included a \$12,660 penalty relating to the  
22 history of failing to report SSOs that the utility was aware of.

23 The Tymber Creek facility is still subject to the SSO Consent Order and CSWR  
24 Florida’s evaluation of the lift stations showed the primary lift station to be poorly  
25 designed and undersized, which will require total replacement to resolve the SSO



1 issues. CSWR Florida's evaluation also determined the remaining lift stations would  
 2 require overhauls and raised rings to bring them above the 100-year flood level to avert  
 3 additional SSO problems. These improvements are being implemented.

4 **Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA HAS COMPLETED**  
 5 **TO DATE AT THE TYMBER CREEK WASTEWATER SYSTEM.**

6 A. Various improvements have been made to date to the Tymber Creek wastewater  
 7 system. At acquisition, sludge accumulation was noted in several of the tanks  
 8 throughout the wastewater treatment plant. This reduces the treatment volume of  
 9 affected tanks thereby reducing treatment efficacy and could contribute to the ongoing  
 10 exceedance of maximum daily limits for TSS. Excess and impacted solids have been  
 11 removed from all treatment basins to restore capacity and reduce TSS levels.

12 Remote monitoring equipment has been installed at the wastewater treatment  
 13 facility and all three lift stations. The remote monitoring unit installed at the treatment  
 14 plant will be able to be moved to the new treatment facility in the future.

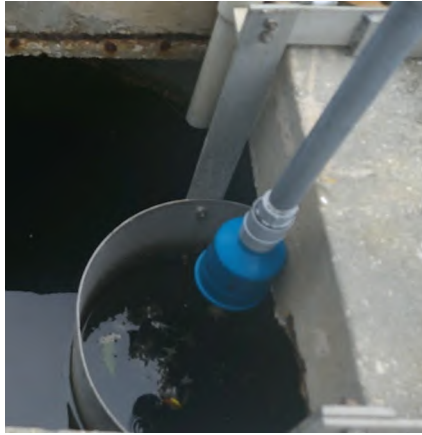


15  
 16 *Newly installed remote monitoring equipment at the Tymber Creek facility and lift stations*  
 17 *(example at treatment plant)*

18 In addition to installing the remote monitoring equipment, other monitoring  
 19 improvements have been made to the system. A new flow meter was installed because



1 the older meter was in poor condition and could not communicate with the remote  
2 monitoring system.



3

4

*New ultrasonic flow meter.*

5

6

7

8

9

**Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO COMPLETE IN THE FUTURE AT THE TYMBER CREEK WASTEWATER SYSTEM.**

11

12

**A.** Further improvements are planned at the Tymber Creek wastewater system to resolve problems the previous owner failed to address. The blowers running the digester/surge tanks and aeration basins are in poor condition, with all blowers for the aeration basins nearing the end of their useful lives. In addition, one of the blowers for the digester and surge tanks failed prior to acquisition by CSWR Florida. The entire blower system for the aeration basins and the failed blower from the surge basin and digester system will be replaced.

13

14

15

16

17

18



*Surge basin / digester blowers (left) and aeration basin blowers (right)*

The facility's sand filters have some areas with impacted sludge preventing proper flow through the filter and allowing vegetation to grow in the filters. The sand filters provide additional removal of solids prior to discharge. The impaired function of the filters contributes to the ongoing daily maximum TSS limit exceedances. The sand filter media will be replaced to enhance solids removal.



*Sand filter with impacted sludge allowing vegetation growth.*

The control valve for rapid infiltration basin 4 is currently broken, locking it in the closed position. This reduces the area available for effluent dispersal and the ability to rotate basins in and out of service for maintenance.

As discussed in the compliance section, the facility is currently subject to a Consent Order related to ongoing or recurring sanitary sewage overflows from lift

1 station 1. An evaluation by CSWR Florida showed that all three lift stations are located  
2 below the 100-year flood elevation and further found that all lift stations need  
3 significant rehabilitation. In addition, CSWR Florida determined that lift station 1 was  
4 poorly designed and cannot handle the flows it receives during high flow periods.  
5 Consequently, lift station 1 will be completely replaced and lift stations 2 and 3 will be  
6 rehabilitated, including adding riser rings to bring the top of the lift stations above the  
7 100-year flood level. Lift station 1 also lacks security fencing, so following  
8 replacement security fencing will be installed.



9  
10 *Lift Stations 1 (left), 2 (center), and 3 (right).*

11 Tymber Creek's FDEP permit requires composite sampling be conducted  
12 periodically, but following its acquisition of the system CSWR Florida determined no  
13 composite sampler was on site. CSWR Florida will install a composite sampler to  
14 allow for composite sampling in the future. At acquisition, there also was no  
15 emergency shower and eye wash station near where the alum and sodium hypochlorite  
16 chemicals were stored. To ensure operator safety, an emergency shower and eyewash  
17 station will be installed. Finally, various unresolved issues in the collection system  
18 need to be addressed, including repairing leaks and breaks as they are identified,  
19 working to locate buried manholes and cleanouts and expose them (potentially

1 requiring installation of new risers), repairing or replacing any missing or damaged  
2 manhole covers, and repairing damaged manhole rings.

3 **J. Tymber Creek Water System**

4 Q. **PLEASE DESCRIBE THE TYMBER CREEK WATER SYSTEM AS IT**  
5 **EXISTED AT ACQUISITION BY CSWR FLORIDA.**

6 A. The Tymber Creek drinking water system is a community drinking water system  
7 serving 430 equivalent residential connections in Volusia County, Florida, northeast of  
8 Daytona Beach. CSWR Florida closed on the Tymber Creek water and wastewater  
9 system on May 31, 2024. The Tymber Creek water system purchases water from the  
10 City of Ormond Beach water system and distributes it to customers through Tymber  
11 Creek's distribution system. All the distribution assets are approximately 45 years  
12 old.

13 Q. **PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE**  
14 **TYMBER CREEK WATER SYSTEM WHEN IT WAS ACQUIRED BY CSWR**  
15 **FLORIDA.**

16 A. The Tymber Creek drinking water system was in fairly good condition when acquired  
17 by CSWR Florida. Because the system only consists of a distribution system, items  
18 requiring improvement all relate to the distribution system:

- 19 • No flushing hydrants were present in system
- 20 • Distribution system repair was needed, including locating, exercising, and  
21 repairing isolation valves and flushing hydrants; installation of additional  
22 isolation valves and flushing hydrants; leaks and break repairs were required,  
23 and damaged segments of water mains required replacement

24 Q. **DO YOU HAVE ANY OVERVIEW PHOTOGRAPHS OF THE TYMBER**  
25 **CREEK DRINKING WATER SYSTEM?**



- 1 A. Yes, the photographs below show an aerial view of the Tymber Creek drinking water  
2 facility.



3  
4 *Aerial view of the Tymber Creek Community.*



5  
6 *Tymber Creek master meter connection to City of Ormond Beach*





1

2     *Example of Tymber Creek fire hydrants (left is one replaced by CSWR Florida since taking*  
3                                     *ownership of the system right is an original hydrant).*

4     Q.     **PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY OF**  
5             **THE TYMBER CREEK WATER SYSTEM UNDER PREVIOUS OWNERSHIP.**

6     A.     A review of the compliance history of the Tymber Creek drinking water system in the  
7             five years immediately preceding its acquisition by CSWR Florida shows no instances  
8             of noncompliance, in either the federal or state databases, related to monitoring and  
9             reporting requirements.

10            There are no active compliance agreements currently in effect for the Tymber  
11            Creek drinking water system.

12     Q.     **PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA HAS COMPLETED**  
13             **TO DATE AT THE TYMBER CREEK DRINKING WATER SYSTEM.**

14     A.     Since acquisition, CSWR Florida has made basic distribution system improvements to  
15             the Tymber Creek drinking water system as issues have been identified. This included  
16             repairs to line leaks and breaks, locating and exercising isolation valves, repairing or  
17             replacing nonfunctional or damaged valves and fire hydrants.

18     Q.     **PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO**  
19             **COMPLETE IN THE FUTURE AT THE TYMBER CREEK DRINKING**

1       **WATER SYSTEM.**

2       A.     The only significant improvement project needed at the Tymber Creek drinking water  
3             system is the installation of flushing hydrants at dead ends in the distribution system.  
4             Flushing hydrants allow accumulated sediment to be flushed from distribution mains.

5                   **K. Aquarina Utilities Wastewater Treatment Facility**

6       Q.     **PLEASE DESCRIBE AQUARINA UTILITIES WASTEWATER TREATMENT**  
7             **FACILITY (“WWTF”) AS IT EXISTED AT ACQUISITION.**

8       A.     The Aquarina Utilities wastewater system is a non-discharging community wastewater  
9             treatment system serving 433 equivalent residential connections in Brevard County.  
10            The facility is located South of Melbourne Beach. CSWR Florida closed on the  
11            Aquarina Water and Wastewater systems on May 16, 2022.

12            At acquisition, the Aquarina wastewater treatment system consisted of a 0.099  
13            MGD Annual Average Daily Flow (AADF) permitted capacity extended aeration  
14            domestic Wastewater Treatment Plant. The system had various issues at the time of  
15            acquisition. These ranged from equipment in poor condition, missing safety features  
16            required for typical operations activities, failed equipment or equipment components,  
17            accumulation of sludge and nuisance solids in some treatment components, portions of  
18            the facility configured in ways not approved in construction permits, out of service  
19            equipment that had not been properly decommissioned, and other various issues.

20       Q.     **PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE**  
21             **AQUARINA WASTEWATER SYSTEM WHEN IT WAS PURCHASED.**

22       A.     Various components showed signs of wear and tear, with deteriorating coatings on  
23             structures and above ground piping, issues with components of the treatment processes,  
24             and issues with the site. Further issues requiring repairs and improvements were  
25             identified as CSWR Florida began operating the facility and embarking on evaluating,

operating, and implementing repairs and improvements at the Aquarina wastewater system.

Aquarina wastewater system had a number of concerns and issues at acquisition.

These issues include:

- The electrical system was in need of repairs and improvement
- One of the pumps in the influent lift station had failed
- No Remote monitoring was present
- Equipment and structural coatings were deteriorating and in need of repairs/recoating
- The system lacked remote monitoring and proper telemetry between system components for proper operational control
- Return active sludge/waste active sludge (“RAS/WAS”) pump system was in poor condition
- Blowers were in poor condition and shade structure had been removed
- Aeration system in poor condition
- No catwalks present over clarifier and no safety grating over influent lift station. Other handrails and catwalks are in poor condition
- Plant headworks regularly overwhelmed by nuisance solids
- One monitoring well in drain field is chronically dry
- Disinfection system not built in accordance with permitted plan and not properly dosing chlorine
- Out of service tertiary filters need to be properly removed
- Lift stations in collection system lack fencing
- The irrigation pumping system is in poor condition

- Emergency generator has reached the end of useful life
- Fencing damaged and overgrown with nuisance vegetation around water and wastewater site

**Q. DO YOU HAVE ANY OVERVIEW PHOTOS OF THE AQUARINA WASTEWATER SYSTEM?**

**A.** Yes, please see the photos below showing an aerial view of the Aquarina Wastewater System and an overview photo.



*Aerial view of the Aquarina Community (left) and aerial view of the wastewater treatment plant including drain field area (right).*

**Q. PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY UNDER PREVIOUS OWNERSHIP.**

**A.** The Aquarina wastewater system had several incidents of noncompliance in the five years prior to acquisition by CSWR Florida. First, in August 2017, an inspection noted that there was an inadequate cross connection control plan as required for the site and no audio-visual alarm present for power failures where backup power is required. The backup power system would be a recurring issue as the automatic transfer switch was later discovered to have been out of service. The most significant noncompliance issues were documented in an inspection that occurred in January 2018, which found

1 several issues. First, one of the effluent infiltration cells (area where treated effluent is  
2 allowed to drain into the ground) was oversaturated, indicating the cells were not being  
3 properly rotated. The operator indicated to the inspector that this was because the  
4 electric gate used to access the discharge area had failed and it was inconvenient to  
5 drive around the entire discharge area to access the point where the flow can be diverted  
6 between the two cells. This indicates a failure to maintain equipment, a failure to repair  
7 damaged equipment which is impacting operations, and a failure to take steps to  
8 properly operate the facility.

9 The inspection also noted significant sludge accumulation in aeration basins,  
10 which adversely affected the facility's treatment capacity, and rusted gratings over the  
11 filters, which made the gratings unsafe for operators.

12 The inspection report also notes a consistent history of effluent exceedances.  
13 These exceedances include total suspended solids exceedances and nitrate limit  
14 exceedances. Exceedance of permitted limits is a serious issue indicating a facility is  
15 failing to properly treat wastewater due to facility disrepair, inadequate operational  
16 standards, or the facility not being designed to adequately meet permitted limits.

17 Finally, in response to an inspection report (which is missing from the FDEP  
18 database) a response from the previous owner noted that the automatic transfer switch  
19 for the generator had been repaired after having been found to be nonfunctional for  
20 several years. An automatic transfer switch allows a generator to activate automatically  
21 in the event of a power outage, preventing water and wastewater service interruptions  
22 and is often utilized to conduct automatic testing of generators to ensure they will  
23 function when needed. Allowing the automatic transfer switch to remain broken for  
24 these years reduces the resiliency of the system and should have been addressed without  
25 enforcement pressure. This again indicates a failure to maintain equipment and a



1 failure to repair damaged equipment which is impacting operations. These sorts of  
2 practices could also have contributed to conditions or operational practices that led to  
3 the previously referenced effluent exceedances.

4 Q. **PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA HAS COMPLETED**  
5 **TO DATE AT THE AQUARINA WASTEWATER SYSTEM.**

6 A. To date, CSWR Florida has made improvements to the return active sludge/waste  
7 active sludge (RAS/WAS) pumping system. At acquisition, the RAS/WAS pumping  
8 system piping was in poor condition. Conditions observed included corrosion, signs  
9 of leaks, failed valves, one of the two pumps was out of service, and the electrical  
10 service box was heavily corroded and no longer weatherproof. CSWR Florida restored  
11 the out of service pump, installed a new weather-safe electric service box, and replaced  
12 all damaged above ground piping and valves to ensure the system can function safely  
13 and properly without leaks. The influent lift station also had a failed pump, which was  
14 replaced.



15  
16 *RAS/WAS pumping system before (left) and after(right) improvements, note both pumps in*  
17 *service, piping improvements, valve replacements, and new power supply.*

18 At acquisition, the blower system supplying air to the Aquarina wastewater  
19 plant's aeration equipment had several notable issues that have since been addressed

1 by CSWR Florida. For example, there was no shade structure installed over the  
2 blowers. Blowers become very hot during operation, which can lead to equipment  
3 overheating resulting in shutdowns and early wear and tear that reduces the useful life  
4 of equipment. CSWR Florida installed a shade structure to reduce overheating,  
5 repaired and replaced portions of the aeration piping to eliminate leaks and halt  
6 corrosion, and made improvements to the wiring and conduit.



7  
8 *New Shade structure over Aquarina blowers before (left) and after(right) improvement.*

9 The Aquarina facility's tanks and equipment were inspected, sanded, and  
10 recoated where appropriate. This process ensures that any need for tank and equipment  
11 repairs are identified and recoated to protect the tanks and equipment from exposure  
12 wear and corrosion to extend their useful lives.



13  
14 *Treatment tanks, piping, and equipment before (left) and after (right) recoating.*

In addition, flood lighting has been installed at various locations at the treatment plant and lift stations. Lighting improvements ensure that operations staff can safely and effectively respond to emergency maintenance issues after dark to quickly repair items or restore service. Remote monitoring equipment has also been installed at the treatment plant and collection system lift stations. Remote monitoring equipment allows collection of data and provides continuous information on system performance over time allowing for more precise and efficient operations. Remote monitoring also provides operations staff with live information concerning system performance and equipment status. This allows for immediate identification and notification of abnormal operating conditions and emergencies, which often enables operations staff to respond and address problems before they can result in service interruptions.



*Example of new flood lights installed for safety in after-hours operations activities (left).*

*Example of remote monitoring units installed at Aquarina treatment plant and lift stations (right).*

Several of the fence lines around the water and wastewater site were extremely overgrown with vegetation causing damage to the fencing. CSWR Florida has removed the nuisance vegetation and repaired the damaged fencing. Similarly, the effluent drain fields were found to be overgrown and the fencing surrounding the drain fields was



1 completely overgrown. Vegetation has been removed from the drain field fence and  
2 controlled in the drain field.



3  
4 *Fence lines damaged by vegetation overgrowth (left) and cleared fence line (right)*



5  
6 *Fencing around drain field completely covered in overgrowth and vegetation overgrowing in*  
7 *drain basin (left). Fence line cleared and vegetation controlled in drain basin (right).*

8 Other miscellaneous improvements have also been made to the Aquarina  
9 wastewater system including repairs to collection system leaks, repairs to leaking air  
10 and wastewater plumbing at the treatment plant, and other capital maintenance  
11 activities.

12 Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO  
13 COMPLETE IN THE FUTURE AT THE AQUARINA WASTEWATER  
14 SYSTEM.

A. Further improvements are needed at the Aquarina wastewater system to ensure consistent compliance with regulatory requirements, to ensure the facility is in a safe and operable condition, and to ensure the facility can be properly maintained. To comply with FDEP monitoring requirements, a new monitoring well must be installed in the drain field area. Monitoring wells are wells with direct access to the upper water tables that under effect of the water that infiltrates into the ground through the drain field. Testing is periodically conducted to ensure groundwater limits are not exceeded as a result of the treated wastewater discharge. In addition, because one of the wells has been consistently dry for several years, the FDEP notified the previous ownership a new monitoring well would need to be installed. The non-functioning well caused previous ownership to consistently submit groundwater sampling results that stated “No Sample Result.” Because FDEP will not accept “No Sample Result” reporting, CSWR Florida is working to install a new monitoring well as part of planned plant improvements, which will allow proper groundwater sampling to resume.

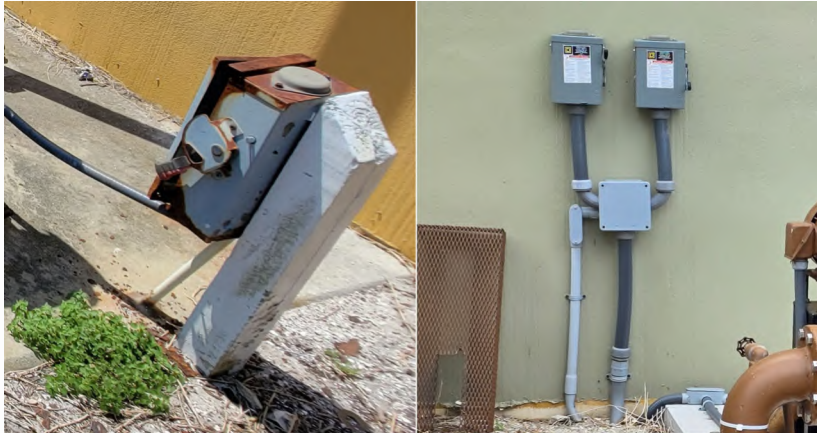


*Example of monitoring well at Aquarina wastewater system requiring replacement adjacent to drain field.*

Throughout the Aquarina wastewater facility, various electrical and control panels are in poor condition, risking electrical failures, operator injury, and interruption in proper operation of treatment equipment. CSWR Florida is working to replace damaged panels, where appropriate as improvement projects are undertaken, as seen in



1 the electrical service replacement to the RAS/WAS pumping system, which is shown  
 2 below. Some electrical and control systems will also require improvement to handle  
 3 new or upgraded replacement equipment.



4  
 5 *Example of power supply replacement for RAS/WAS pumps.*

6 Several areas around the treatment facility and lift stations have issues regarding  
 7 safety grating, handrails, and catwalks. In some areas these safety measures are  
 8 missing altogether and in others existing measures are in poor condition. These items  
 9 ensure operator safety during operations activities and prevent accidents and injuries.  
 10 Where grating, handrails, or catwalks are needed but missing or damaged, installations  
 11 and repairs will be implemented to ensure operator safety.



12  
 13 *Leading edges without edge protection handrails/chains or grating over open basins (left).*

14 *Aeration basin grating is not secured to structure and lacks handrails (right).*

1           As previously discussed in reference to the facility blowers, powered equipment  
2           should be installed under shade structures to prevent overheating and enhance operator  
3           safety when working on equipment that can become hot. While CSWR Florida has  
4           installed a new shade structure over the facility blowers, the RAS/WAS pumps still  
5           have no shade structure. A shade structure will be installed over the RAS/WAS pumps  
6           as part of the remaining construction projects and the facility.



7  
8           *No shade structure currently installed over RAS/WAS pumping equipment (left), and new*  
9           *shade structure installed over facility blowers as example (right)*

10           The facility currently utilizes a manually cleaned bar screen, which requires  
11           operations staff to regularly rake nuisance solids into a dumpster to prevent them from  
12           entering the facility and negatively impacting treatment processes or causing damage  
13           to treatment equipment. If the screen is filled before an operator can remove nuisance  
14           solids, wastewater can overflow or nuisance solids can enter the treatment basins.  
15           Nuisance solids have been noted in the aeration basins even with daily clearing,  
16           indicating that the existing system is not suitable to manage the quantity of nuisance  
17           solids entering the facility. To prevent issues with an inability to clear the bar screen  
18           with adequate frequency, the bar screen will be replaced with a fine screening system,  
19           which automatically drops nuisance solids into a dumpster to prevent clogging,

1 overflowing, or the release of solids into the treatment basins. A screening system also  
 2 eliminates the need to manually rake the bar screen to ensure proper facility operation.



3  
 4 *Existing bar screen backing up due to impacted solids in photo (left), examples of Hydrosieve*  
 5 *with automatic trash collection beneath at two CSWR affiliated facilities (center and right).*

6 Various components of the facility's aeration system have been identified as  
 7 needing improvements, repairs, or replacement. Aeration is the primary treatment  
 8 process in place at the Aquarina wastewater treatment facility, working to break down  
 9 wastewater by mechanically aerating it with activated sludge to mechanically break up  
 10 solids that enhance or encourage biological breakdown of wastewater nutrients. It is  
 11 essential that the aeration equipment operates effectively and be in a condition that can  
 12 be operated and maintained in a manner that provides adequate treatment to meet  
 13 permitted limits. The facility blowers at Aquarina are old and approaching the end of  
 14 their useful lives. To ensure effective operation of the facility, the aging blowers will  
 15 be replaced with new blowers. Some of the aeration piping, including air headers, drop  
 16 pipes, and diffusers have been identified as corroding, leaking, or otherwise being in a  
 17 state of poor repair. Leaking pipes and poor aeration diffusion negatively affects  
 18 treatment efficacy by reducing air delivered to the aeration basins. Aeration piping and  
 19 diffusers will be repaired or replaced, as appropriate, to ensure proper treatment can



1 occur.



2

3 *Aging blowers in need of replacement (left) examples of aeration piping with rust on aeration*

4 *headers, at water level, fittings and valves resulting in air leaks (center and right)*



5

6 *Aeration piping with missing drop pipe indicating section of aeration basin not being*

7 *aerated.*

8 The facility's clarifier regularly has issues with duckweed growth inside the  
 9 interior ring of the clarifier trough. The presence of duckweed can lead to increased  
 10 levels of solids, ammonia, and biochemical oxygen demand ("BOD") in discharged  
 11 wastewater. Duckweed can also sometimes pass over the trough and be discharged  
 12 with treated wastewater to the drain field. To prevent ongoing duckweed growth, a  
 13 laundry cover will be installed over the clarifier to reduce sunlight to levels so  
 14 duckweed no longer will thrive.



*Examples of accumulation of duckweed growth in clarifier (left and right) including duckweed passing over the trough (right).*

There are two tertiary sand filters on the site that were removed from service many years ago. The out of service filters have never been fully decommissioned and should have the impacted media removed and either have the tanks removed or repurposed for other treatment processes on the site. As described previously, the disinfection system currently present at the treatment facility was not constructed to match the permitted plan submitted in the 2018 permit renewal and lacks precise chlorine dosing. To ensure proper disinfection occurs and that the facility is in line with the permitted plans the Company will either install a new chlorine contact chamber or convert the decommissioned sand filters into chlorine contact chambers and install a new chlorine dosing system utilizing sodium hypochlorite solution.





*Sand filter tanks which have been out of service for an extended period and need to be properly decommissioned or repurposed.*

The irrigation pumping system is also aging and its pumps should be replaced to ensure proper function moving forward. General site improvements will also continue at the wastewater treatment site, including ongoing wastewater and aeration piping replacements as leaks or damage is identified, some remaining fencing repairs, access improvements, and housekeeping improvements. Miscellaneous repairs and improvements are also being completed in the collection system as leaking or damaged collection mains are identified and replaced. Finally, the generator supplying emergency power for the water and wastewater sites has reached the end of its useful life and will require replacement.



*Old generator shared by water and wastewater site which has reached the end of useful life.*

**L. Aquarina Utilities Water System**

**Q. PLEASE DESCRIBE THE AQUARINA UTILITIES WATER SYSTEM AS IT EXISTED AT THE TIME OF ITS ACQUISITION BY CSWR FLORIDA.**

A. The Aquarina Utilities water system is a potable and irrigation water system serving 619 equivalent residential connections in Brevard County. The facility is located South of Melbourne Beach. At acquisition, the Aquarina water system consisted of two separate water systems for the Aquarina development: a potable water system serving the residential community and golf course clubhouse and a fire and irrigation water system. CSWR Florida closed on its acquisition of the Aquarina Water and Sewer systems on May 16, 2022.

**Q. PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE AQUARINA WATER SYSTEM WHEN IT WAS ACQUIRED.**

A. At acquisition, various components of the Aquarina system showed signs of wear and tear, with deteriorating coatings on structures and above ground piping, tanks due for maintenance activities, overgrown fence lines, poor condition access roads, and trash and debris throughout the site. Additional issues requiring repairs and improvements were identified as CSWR Florida began operating the facility and could better assess system problems and begin implementing necessary repairs and improvements.

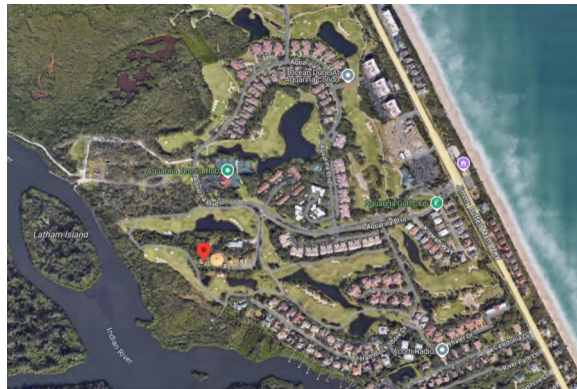
The following were among the concerns and issues identified by CSWR Florida at acquisition:

- The electrical system needed repairs,
- Chemical system containment was inadequate, resulting in spills of chemicals in the treatment building,
- Equipment and structural coatings were deteriorating and in need of repairs or recoating,

- Tanks were overdue for full interior and exterior inspection and evaluation for potential repairs and replacements. Inspection and recoating work revealed the hydropneumatic tank and many pinhole leaks and would need to be replaced,
- The system lacked remote monitoring and proper telemetry between system components for proper operational control,
- The distribution flow meter was damaged,
- The system lacked chlorine residual monitoring,
- Three fire hydrants were out of service,
- Well flow meters had reached end of their useful lives,
- Fencing was damaged around both the water and wastewater sites.

Q. **DO YOU HAVE ANY OVERVIEW PHOTOGRAPHS OF THE AQUARINA WATER SYSTEM?**

A. Yes, please see the photographs below showing an aerial view of the Aquarina water system.



*Aerial view of the Aquarina Community.*



*Aerial view of the Aquarina water system at acquisition (left) and currently (right). Note recoated tanks, cleared vegetation and debris, new access roads, and temporary hydro-pneumatic tank on site.*

**Q. PLEASE DESCRIBE THE COMPLIANCE HISTORY OF THE AQUARINA WATER SYSTEM UNDER PREVIOUS OWNERSHIP.**

A. A review of the federal Safe Drinking Water Information System (“SDWIS”) database shows eight monitoring and reporting violations in the five years immediately preceding the system’s acquisition by CSWR Florida. The violations related to the Environmental Protection Agency’s Lead and Copper Rule, the Revised Total Coliform Rule, and Groundwater Rule for E. coli sampling. These violations indicated failures to complete required testing or properly complete reporting related to sampling and do not indicate water quality issues.

A review of compliance-related documents in the FDEP database provided further detail regarding the previous owner’s lead and copper sampling record. Some samples were shown to exceed action levels for lead from interior faucets within dwellings in the service area. Further investigation showed this was attributable to lead solder used in the interior piping of portions of dwellings in the development and is not related to issues with the source water or any portion of the treatment, storage, or



1 distribution systems that are part of the Aquarina water system. Each time lead and  
 2 copper sampling are completed customers will be informed of the issue, advised to test  
 3 the water in their home, and advised to consider replacing their interior plumbing to  
 4 reduce lead exposure.

5 Q. **PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA HAS COMPLETED**  
 6 **TO DATE AT THE AQUARINA WATER SYSTEM.**

7 A. Improvements have been made to the disinfection system, including improving  
 8 chemical containment in the treatment building to address ongoing spills from the  
 9 inadequate spill berm and installation of a continuous chlorine analyzer to ensure that  
 10 adequate chlorine residuals are maintained to prevent bacteriological contamination  
 11 issues in the drinking water.



12  
 13 *Chemical containment before (left) and after improvement (right). Note bleaching and dried*  
 14 *chemicals all over ground previously due to inadequately sized spill berm and lack of*  
 15 *cleanup.*

16 The facility's tanks were inspected, sanded, and recoated where appropriate.  
 17 This process ensures that any needs for tank repairs are identified, and that recoating  
 18 occurs to protect the tank structures from exposure, wear, and corrosion, which helps  
 19 extend their useful lives. Both ground storage tanks (one for irrigation and fire control



1 tank and a separate potable water tank) were recoated to extend their useful lives, and  
2 the trash, debris, and vegetation overgrowth were removed from in and around the site.  
3 The hydropneumatic tank was inspected during the sand blasting and recoating process  
4 and multiple leaks were identified. CSWR Florida determined the hydropneumatic  
5 tank should therefore be removed from service and replaced. A temporary tank has  
6 been placed on site to maintain system pressure until the replacement tank can be  
7 designed, permitted, bid out, and installed.



8  
9 *Ground Storage tank before (left) and after (right) before and after inspection and recoating,*  
10 *note trash and debris removed from tank area as well.*



11  
12 *Irrigation and Fire Control Ground Storage tank before (left) and after (right) before and*  
13 *after inspection and recoating, note vegetation overgrowth removed from tank.*



1  
2 *Hydropneumatic tank before (left) and after (right) exterior recoating, inspection for interior*  
3 *recoating halted improvements on tank when numerous pinhole leaks were identified, and*  
4 *tank was removed from service.*



5  
6 *Example of pinhole leaks along waterline on interior (left) and temporary tank brought in to*  
7 *maintain service till tank replacement can be completed (right).*

8           In addition to recoating tanks, all exposed above ground piping at the treatment  
9 and well sites were recoated to extend their useful lives. Deteriorating coatings on  
10 piping can lead to accelerated deterioration and corrosion resulting in leaks and need  
11 for piping and equipment replacement. Where piping was damaged, segments were  
12 replaced.





*Example of before (left) and after (right) recoating of above ground piping and equipment.*

Various improvements have also been made to the electrical and monitoring systems at the Aquarina water system. This includes installing new flow meters for the wells and the distribution system, improving telemetry between tank monitoring equipment and control systems, and installation of remote monitoring equipment.



*Telemetry with tank levels (left) and new remote monitoring equipment (right).*

In addition to improvements to water production and treatment equipment, various improvements have been made to the distribution system and overall utility site. Three out of service fire hydrants have been replaced to ensure all areas can be served by the fire protection system. Additionally, CSWR Florida's evaluation of the high-pressure valves for the fire protection system showed they were severely corroded. The valves have been replaced to ensure adequate pressure can be provided in the fire protection system. Various line leaks and breaks also have been addressed

1 to reduce water losses and eliminate areas vulnerable to contamination. Additional site  
2 improvements include rehabilitating the access roads, removing trash, debris, and  
3 nuisance vegetation from fence lines and throughout the site, and making repairs to site  
4 fencing throughout the water and wastewater portions of the utility site.



5  
6 *Rusted high pressure fire protection valves (left) removed and new valves installed (right)*



7  
8 *Damaged fencing (left) replaced with new fencing (right)*





*Clearing of vegetation from facility fence line*



*Before (left) and after (right) access road improvements and piping and equipment recoating.*

**Q. PLEASE DESCRIBE IMPROVEMENTS CSWR FLORIDA PLANS TO COMPLETE IN THE FUTURE AT THE AQUARINA WATER SYSTEM.**

**A.** Further improvements planned for the Aquarina water system include repairs and improvements to the distribution system. These include installation, repair, or replacement of isolation valves; replacing damaged mains; and installation, repair, or replacement of flushing hydrants. In addition, as I previously testified the facility's hydropneumatic tank was significantly rusted on both its interior and exterior leaks were noted during CSWR Florida's inspection, cleaning, and recoating efforts. As a result, we determined the tank would require replacement to prevent possible



1 contamination, service interruptions, or damage that would be caused if the tank failed  
2 catastrophically a (hydropneumatic tanks can explode). A temporary tank has been  
3 placed on site and a new permanent tank will be installed in the future. Finally, the  
4 generator supplying emergency power for the water and wastewater facility, which has  
5 reached the end of its useful life, will require replacement.



6  
7 *Old generator shared by water and wastewater site which has reached the end of useful life.*

8 **M. Tradewinds Water System**

9 Q. **PLEASE DESCRIBE THE TRADEWINDS WATER SYSTEM AS IT EXISTED**  
10 **AT ACQUISITION.**

11 A. The Tradewinds water system serves 240 equivalent residential connections in Marion  
12 County. The drinking water system serves a subdivision and commercial customers in  
13 the northeast portion of Ocala, Florida. CSWR Florida closed on its acquisition of the  
14 Tradewinds water and wastewater systems on November 30, 2023.

15 Q. **PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE**  
16 **TRADEWINDS WATER SYSTEM WHEN IT WAS ACQUIRED BY CSWR**  
17 **FLORIDA.**

18 A. At acquisition, CSWR Florida identified several issues with the Tradewinds water  
19 system that would require repairs or improvements to ensure the system can provide

1 safe and reliable service and can be properly maintained and operated in the future.

2 The issues CSWR Florida identified included the following:

- 3 • The system included no spill containment or shade structure for sodium  
4 hypochlorite
- 5 • No residual chlorine monitoring was present
- 6 • The elevated storage tank was due for inspection and cleaning and to evaluate  
7 long-term repair needs
- 8 • Piping on the elevated storage tank was corroded and in poor condition  
9 including the fill line, the supply line to system, and the overflow line.
- 10 • Coatings on the out of service hydropneumatic tanks were in poor condition  
11 requiring repair or permanent removal of the tanks
- 12 • No remote monitoring equipment was present
- 13 • Flow meters were in poor condition and not set up for live data recording or  
14 reporting through remote monitoring system
- 15 • All wells were due for evaluation and rehabilitation or reworking
- 16 • Existing backup wells were inadequate to supply system in the event of main  
17 well failure.
- 18 • Climb prevention cage damaged on the elevated storage tank ladder
- 19 • The elevated storage tank in need of repairs, improvements and recoating  
20 pending evaluation of its overall condition and fitness
- 21 • Hydropneumatic tanks needed rehabilitation to return to service
- 22 • The automatic transfer switch for the generator had failed
- 23 • Areas of fencing around the water site were damaged
- 24 • Required distribution system repairs included locating, exercising, and

1                   repairing isolation valves and flushing hydrants; installation of additional  
2                   isolation valves and flushing hydrants; leak and break repairs; and replacement  
3                   of damaged segments of water mains

4    Q.    **DO YOU HAVE ANY OVERVIEW PHOTOGRAPHS OF THE TRADEWINDS**  
5           **DRINKING WATER SYSTEM?**

6    A.    Yes, the photographs below show an aerial view of the Tradewinds drinking water  
7           facility.



8  
9                   *Aerial view of the Tradewinds Community.*



10



*Aerial view of Tradewinds elevated storage tank, disinfection, and hydropneumatic storage sites (left) and ground level views of the elevated storage tank (center) and the hydropneumatic storage tank and disinfection site (right).*

**Q. PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY OF THE TRADEWINDS WATER SYSTEM UNDER PREVIOUS OWNERSHIP.**

A. A review of the compliance history of the Tradewinds drinking water system for the five years immediately preceding its acquisition by CSWR Florida shows instances of noncompliance related to monitoring and reporting requirements. A review of the EPA Safe Drinking Water Information System (SDWIS) database shows four instances of monitoring and reporting violations related to incomplete required sampling of disinfection byproducts in 2019 and 2022 with two parameters each. There was also a 2020 monitoring and reporting violation related to a follow-up sample required by the Lead and Copper rule. A review of the FDEP database showed violations consistent with what appeared in the SDWIS database, with two additional violations: one reflecting only violations of state level rules and the other reflecting federal rules violations that should have been reported to the federal database but for whatever reason was not. The state level violations related to a sanitary survey, which identified several instances of noncompliance. The survey noted that no distribution system map was available on site, no emergency preparedness plan was available, no operations and maintenance manual was available, no records were available for valve exercising or flushing, and no cross-connection control program had been developed for the system. The other violation was a file review and Compliance Assistance Offer issued in 2022 for failing to submit lead and copper sampling in 2021. There are no active compliance agreements currently in effect for the Tradewinds drinking water system.

1 Q. PLEASE DESCRIBE IMPROVEMENTS CSWR FLORIDA HAS  
2 COMPLETED TO DATE AT THE TRADEWINDS DRINKING WATER  
3 SYSTEM.

4 A. Various improvements have been completed to date at the Tradewinds drinking water  
5 system. First, improvements were made to the disinfection system. At acquisition, the  
6 system consisted of a single 55-gallon drum with a feed pump located in the corner of  
7 a room full of trash and spare materials. Access to the drum was difficult and no spill  
8 protection was present. Additionally, there was no venting in the room to remove  
9 chlorine gas. A new pad and shade structure were installed outside the structure and a  
10 new drum with spill protection were installed to provide better access, better  
11 ventilation, and spill containment for the disinfection system.



12 *Disinfection system before (left) and after (right) improvement.*

13  
14 At acquisition, the elevated storage tank needed evaluation to determine  
15 necessary long-term repairs to the tank. To evaluate the tank, it was power-washed and  
16 an engineering inspection was completed. A damaged section of above ground piping  
17 running from the primary well to the elevated storage tank has also been replaced.





*Replaced segment of above ground piping*

No remote monitoring system was present at the time CSWR Florida acquired the system and the existing flow meters were in poor condition and could not communicate with a remote monitoring system. Remote monitoring equipment was installed along with new flow meters that can connect to the remote monitoring equipment. With the installation of the remote monitoring equipment, a continuous chlorine analyzer was also installed. These analyzers actively monitor to ensure that adequate chlorine residual is maintained in drinking water to prevent bacteriological contamination issues in the drinking water and reduce manual testing requirements.



*New remote monitoring equipment (left) and new chlorine residual monitoring (right)*

Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO COMPLETE IN THE FUTURE AT THE TRADEWINDS DRINKING WATER

1       **SYSTEM.**

2       A.     Further improvements are needed at the Tradewinds drinking water system to ensure  
3             the facilities are in a safe and operable condition, that the facility can meet regulatory  
4             requirements, and to ensure the facilities can be properly and efficiently maintained  
5             moving forward. All three wells need evaluation and rehabilitation to ensure they can  
6             function effectively and to extend their useful lives. An additional concern is that while  
7             the primary well is suitable to run the system, if it were removed from service the two  
8             backup wells are not adequate to supply the system. Furthermore, with some planned  
9             developments in the area, additional well capacity will be needed. As a result, a new  
10            well is being permitted to be installed to ensure resiliency and adequate water supply.

11           As I previously stated, the elevated storage tank needs repairs and  
12           improvements. Several areas show steel corrosion to the structure and the tank that  
13           will require, at minimum, sanding and recoating and, in some cases, steel repair prior  
14           to recoating. The tank equipment is also in poor condition, with the potential CSWR  
15           Florida will be required to replace all piping, hatches, the access ladder, and the climb  
16           prevention cage on the lower section of the ladder. These improvements will be  
17           required to ensure the tank can function properly, that all operator safety equipment is  
18           in place, and to prevent members of the public from becoming injured by attempting to  
19           climb the tank without authorization. While the system is currently maintaining  
20           pressure utilizing the elevated storage tank, the hydropneumatic tanks should be  
21           returned to service so there are other means of maintaining system pressure in the event  
22           of maintenance on the elevated tank or other circumstances requiring the elevated tank  
23           to be removed from service. Therefore, the hydropneumatic tanks will be evaluated,  
24           any required repairs completed, and the tanks recoated to be returned to service.

25           The automatic transfer switch for the generator also was not functioning at

1 acquisition. This is a piece of equipment that automatically activates the emergency  
2 generator and switches the system from grid power to backup power in the event of a  
3 power outage. The switch should be replaced to prevent service interruption in the  
4 event of a power outage.

5 General site improvements are also needed. This will include clearing of  
6 vegetation, trash, debris, and unused equipment from the site and structure interiors,  
7 repairs to fencing and gates around the facility, and repairs and replacement to any  
8 wiring, conduit, and above ground piping on the site which is deteriorating or otherwise  
9 damaged.

10 The final area of planned improvements involves general improvements to the  
11 distribution system. Evaluation and improvements will include identification and  
12 repairs of leaks or breaks, identification, evaluation and repair of isolation valves and  
13 installation of additional valves where needed to minimize customers impacted by  
14 breaks and maintenance activities, and installation of automatic flushing units on  
15 flushing hydrants and dead-end fire hydrants to reduce accumulation of debris in the  
16 water lines.

17 **N. Tradewinds Wastewater System**

18 Q. **PLEASE DESCRIBE THE TRADEWINDS WASTEWATER SYSTEM AS IT**  
19 **EXISTED AT THE TIME OF ITS ACQUISITION BY CSWR FLORIDA.**

20 A. The Tradewinds wastewater system is a purchased treatment wastewater collection  
21 system serving 547 equivalent residential connections in Marion County. The  
22 wastewater system serves a subdivision and commercial customers in the Northeast  
23 portion of Ocala. CSWR Florida closed on its acquisition of the Tradewinds water and  
24 wastewater systems on November 30, 2023.

25 While Tradewinds once operated its own wastewater treatment facility, shortly

1 before acquisition by CSWR Florida the facility was connected to the Marion County  
2 Utilities wastewater system and the treatment plant was decommissioned. At  
3 acquisition, the Tradewinds wastewater system consisted of gravity collection flowing  
4 to one of five lift stations. All these lift stations conveyed wastewater to the location  
5 of the treatment facility. Since the facility was decommissioned a new lift station was  
6 constructed there which now conveys wastewater to the Marion County Utilities  
7 wastewater system for treatment.

8 Q. **PLEASE PROVIDE AN OVERVIEW OF THE CONDITION AND ISSUES OF**  
9 **THE TRADEWINDS WASTEWATER SYSTEM WHEN IT WAS**  
10 **PURCHASED.**

11 A. At acquisition, CSWR Florida identified several components of the Tradewinds facility  
12 that would require improvement. The issues CSWR Florida identified include the  
13 following:

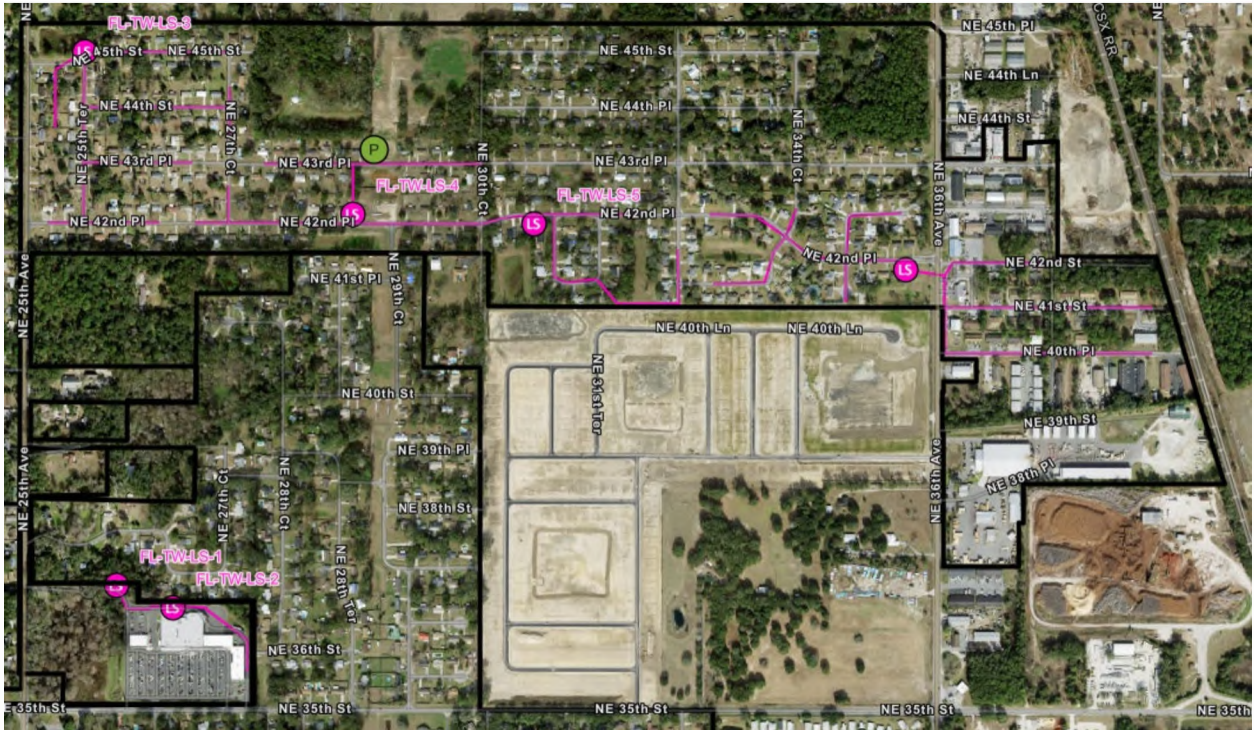
- 14 • No remote monitoring equipment present at lift stations,
- 15 • Four of the lift stations lacked guiderail systems, which allow pumps to be  
16 easily accessed for maintenance,
- 17 • The control panel and power box at one of the lift stations was in poor condition,
- 18 • Four of the lift stations lacked means to connect emergency generators in the  
19 event of power failure,
- 20 • Lift station number 3 lacked emergency bypass pumping that would allow for  
21 a mobile pump to be connected and associated discharge piping was in poor  
22 condition,
- 23 • Trash, debris, and nuisance vegetation had built up on some of the lift station  
24 sites,
- 25 • Some of the older lift stations lacked fencing or had fencing in poor condition,



- General issues with the wastewater collection system.

Q. DO YOU HAVE ANY OVERVIEW PHOTOS OF THE TRADEWINDS WASTEWATER SYSTEM?

A. Yes, please see the photos below showing an aerial view of the Tradewinds wastewater system and an photos of each lift station.



*Aerial view of the Tradewinds Community.*



*Examples of older Tradewinds collection system lift stations. Some lift stations lacked fencing, remote monitoring, and had rusting or degraded assets.*





*New lift station connecting to the Marion County Utilities wastewater system.*

**Q. PLEASE DESCRIBE THE COMPLIANCE HISTORY OF THE TRADEWINDS SYSTEM UNDER PREVIOUS OWNERSHIP.**

**A.** The Tradewinds wastewater treatment plant had a long history of noncompliance prior to the connection to the Marion County Utilities wastewater system and the decommissioning of the wastewater treatment facility. The noncompliance involved improper reporting practices, discrepancies in permitted capacity, unaddressed issues related to the condition of the treatment facility, and a consistent struggle to comply with biochemical oxygen demand, total suspended solids, and total nitrogen permit limits. It was determined the facility was incapable of meeting these limits and that significant overhaul or total replacement would be required to ensure future compliance. Rather than taking on a project of that scope, the previous ownership elected to connect to the Marion County Utilities wastewater system. After paying several fines related to the long-term noncompliance and completing the project to convert the system to a purchased treatment system, past compliance issues with the facility resolved prior to CSWR Florida taking ownership. There are no active compliance agreements at the Tradewinds facility currently.

1 Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA HAS COMPLETED  
2 TO DATE AT THE TRADEWINDS WASTEWATER SYSTEM.

3 A. The primary improvement completed to date at the Tradewinds wastewater system has  
4 been the installation of remote monitoring equipment at each lift station. As I noted  
5 earlier in my testimony, remote monitoring equipment allows live collection of data,  
6 providing continuous information on system performance and equipment status over  
7 time allowing for more precise and efficient operations, and providing operations staff  
8 with real-time information concerning system performance and equipment status. This  
9 allows for immediate identification of abnormal operating conditions and emergencies,  
10 often enabling operations staff to respond to and address problems before they can  
11 result in service interruptions.



12  
13 *Example of remote monitoring units installed at all lift stations.*

14 Q. PLEASE DISCUSS IMPROVEMENTS CSWR PLANS TO COMPLETE IN  
15 THE FUTURE AT THE TRADEWINDS WASTEWATER SYSTEM.

16 A. CSWR Florida has identified various additional improvements that are needed at the  
17 Tradewinds lift stations and wastewater collection system. First, four of the existing  
18 lift stations lack guiderail systems for pump maintenance. Guide rail systems allow  
19 pumps to be easily raised and lowered from the lift station wet well for maintenance or

1 replacement and significantly reduce the complexity of pump maintenance. Guiderail  
2 systems will be installed in the lift stations that do not currently have them.



3

4

*Example of a lift station with guide rails for pump maintenance.*

5

6

One of the lift stations has a control panel in poor condition with rust on the weatherproof box. This control panel and box will be replaced.



7

8

*Damaged lift station control box.*

9

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Four of the lift stations lack the means to connect emergency backup power. This would typically include a generator quick connect and a manual transfer switch for switching the lift station over from grid power to emergency backup power. Quick connects and manual transfer switches will be installed at the four lift stations that do not currently have them. In addition to lacking the means to connect emergency backup power, Lift Station 3 lacks emergency bypass piping. This sort of piping allows a

mobile pump to be connected to the lift station for operation when pumps malfunction and during power outages. The discharge piping at this lift station is also in poor condition and will be replaced and bypass piping will be installed. In addition, many of the lift station sites have significant accumulation of trash, debris, discarded equipment and materials, and nuisance vegetation around the sites and site perimeters. These materials can cause damage to fencing and equipment and pose operational obstacles and hazards to operations staff. These materials are being removed from the sites. Finally, all the older lift stations have issues with fencing, either lacking fencing entirely or having areas with damaged fencing, which create issues with site security. CSWR Florida will install, repair, or replace fencing where necessary.



*Damaged unused manhole rings, trash, and vegetation overgrowth at Tradewinds lift station site, including vegetation causing fence damage (left). Tradewinds lift station lacking fencing (right).*

#### **O. TKCB/Sun Lake Estates Wastewater**

**Q. PLEASE DESCRIBE SUN LAKE ESTATES WASTEWATER AS IT EXISTED AT ACQUISITION.**

**A.** The Sun Lake Estates wastewater system is a wastewater treatment facility and collection system serving 287 equivalent residential connections in Brevard County.

1 CSWR Florida closed on its acquisition of the wastewater system formerly owned by  
2 TKCB, Inc. on December 27, 2023. On its FDEP domestic wastewater facility permit  
3 (FLA010353), this wastewater system is known as the Sun Lake Estates wastewater  
4 treatment facility so I will refer to it as that in my testimony.

5 The Sun Lake Estates wastewater system consists of a gravity collection  
6 system, one influent lift station, one approximately 150,000 gallon concrete treatment  
7 tank subdivided into six separate cells operating as an extended aeration domestic  
8 wastewater treatment plant, two separate approximately 5,000 gallon concrete tanks  
9 (one used as a digester, the other as a chlorine contact chamber), three groundwater  
10 monitoring wells, and eight rapid infiltration cells occupying approximately 12 acres.

11 Q. **PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE SUN**  
12 **LAKE ESTATES WASTEWATER SYSTEM WHEN IT WAS ACQUIRED.**

13 A. Several issues of concern existed with the Sun Lake Estates wastewater facility's  
14 condition when acquired by CSWR Florida. Many assets require repairs,  
15 improvements, or replacement to ensure the facility can be safely operated, can reliably  
16 complete wastewater treatment, and can be adequately maintained in the future. At  
17 acquisition, CSWR Florida identified the following conditions of concern:

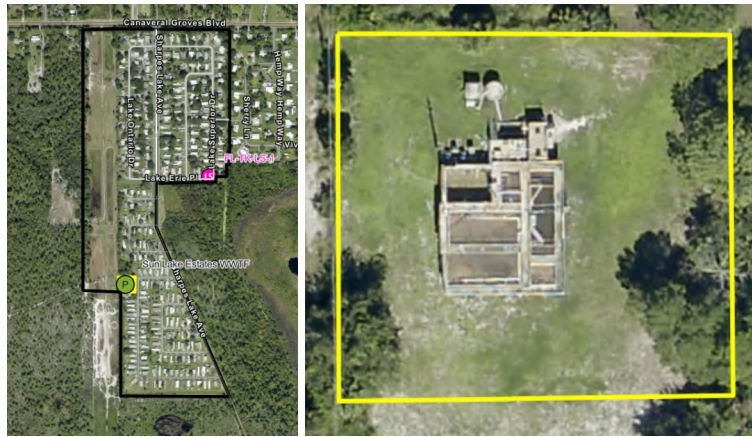
- 18 • Blower electric panels were in poor condition, blower motors had reached the  
19 end of their useful lives, and blowers lacked belt shrouds and covers,
- 20 • A tank containing sodium hypochlorite lacks spill containment and no shade  
21 structure, which would accelerate breakdown of disinfection chemicals,
- 22 • The chlorine pump is reaching end of its useful life and lacks any means to vary  
23 dosing rate,
- 24 • No remote monitoring was present at lift station or the treatment facility, and  
25 the facility lacked active flow monitoring,



- Portions of the facility lacked protective covers over tank openings along catwalks, which could cause trip and fall hazards, and some handrails were loose or were installed at too low a height,
- Nuisance vegetation, trash, and debris were located around the rapid infiltration area and plant property line. In some areas this had caused damage to fencing, which contributed to poor condition fencing around treatment facility,
- Aeration piping and diffusers were deteriorating and in need of repairs, replacement, and improvements,
- Nuisance solids were entering the facility, which lacked any effective means to divert such solids from the treatment process,
- The influent/RAS splitter box was in poor condition and causing splattering of wastewater and sludge,
- Many areas with cracks and some leaks were noted on concrete treatment tanks,
- There was no emergency backup power at the treatment plant,
- Fencing was in poor condition and was missing in some locations around the rapid infiltration area,
- Various collection system deficiencies were noted, including leaks and breaks, missing or buried cleanouts and manholes, broken manhole rings, and missing manhole covers.

Q. **DO YOU HAVE ANY OVERVIEW PHOTOS OF THE SUN LAKE ESTATES WASTEWATER SYSTEM?**

A. Yes, please see the photographs below showing an aerial view of the Sun Lake Estates wastewater treatment facility and a ground level overview.



*Aerial view of the Sun Lake Estates Community (left) and of the wastewater treatment facility (right).*



*Ground level views of the Sun Lake Estates wastewater treatment facility at acquisition.*

**Q. PLEASE PROVIDE A SUMMARY OF THE COMPLIANCE HISTORY OF THE SUN LAKES ESTATES SYSTEM UNDER PREVIOUS OWNERSHIP.**

**A.** There is not a significant history of noncompliance at the Sun Lake Estates facility. In the five years immediately preceding the system's acquisition by CSWR Florida the only noncompliance incident noted in the FDEP database was an inspection report with findings of noncompliance resulting in a Compliance Assistance Offer. The issues noted requiring corrective action in the inspection were that the facility failed to complete items noted in the permit compliance schedule. Specifically, the facility failed to remove grit from surge tank, repair tank leaks, and register and begin using

1 EzDMR system within 6 months of permit effective date. While the tanks had been  
2 patched, the inspector noted that tanks had continued to leak around the new patches.  
3 The inspector also noted the facility had exceeded its design flow rate in the most recent  
4 annual average flow rate but that this was not considered to be noncompliance. The  
5 utility responded to the Compliance Assistance Offer to the satisfaction of FDEP and  
6 the CAO was closed without incident. The facility is not currently subject to any  
7 compliance agreements.

8 Q. **PLEASE DESCRIBE IMPROVEMENTS TO THE SYSTEM CSWR FLORIDA**  
9 **HAS COMPLETED TO DATE.**

10 A. At acquisition, the blower motors and blower control panel were reaching the end of  
11 their useful lives, and the blowers lacked belt shrouds and covers. Well-functioning  
12 blower motors ensure full power is delivered to the aeration system. Belt shrouds  
13 prevent debris from snagging in belts, which can prevent damage, and ensure operator  
14 safety. Shade covers protect the blowers from overheating and the elements and reduce  
15 ambient sound from the blower operation. These benefits extend the useful lives of the  
16 blowers and reduce the likelihood of noise complaints. A shade structure has been  
17 installed over the blowers to reduce overheating and protect the blowers from the  
18 elements, blower motors and control panel have been replaced, and belt shrouds and  
19 blower covers are in the process of being installed.



1

2

*Blowers at acquisition with poor condition motors, no belt shrouds or covers.*



3

4

*New blower motors installed, control panel components replaced, and shade structure*

5

*installed. New remote monitoring unit is also installed under shade structure.*

6

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At acquisition, disinfection chemical storage was accomplished through a 200-gallon drum and a 55-gallon drum used as a day tank. These were set on the ground next to the treatment plant with a chemical feed pump which ran continuously at a non-variable rate to add chlorine to the chlorine contact chamber. The system did not have spill containment, meaning any spilled chemicals leaked into the ground thereby potentially harming the environment and posing a hazard to operations staff. Staining was notable on the ground at acquisition showing evidence of chemical spills in the past. The system also lacked shade cover, which means the chemicals were vulnerable to sunlight exposure and premature degradation thereby reducing chemical potency and



1 requiring higher dosage rates to achieve effective disinfection. A new shade structure  
2 has been installed, a new chemical storage tank was brought in, and a new chemical  
3 feed pump installed. A spill basin has been ordered and will soon be added to contain  
4 any spills that occur in the future. The new feed pump has a variable rate to adjust to  
5 peak usage hours, with higher dosing while reducing the flow rate during lower usage  
6 periods, reducing overall chemical usage.



7  
8 *Chemical storage before (left) and after (right) improvement. Note dead grass and chemical*  
9 *storage around old tank indicating chemical spills and disorganized arrangement.*

10 No remote monitoring equipment was installed at the treatment plant or lift  
11 station at the time of acquisition, and no active flow monitoring equipment was present  
12 at the treatment plant. CSWR Florida has installed remote monitoring equipment at  
13 the treatment plant and the lift station. A new flow meter has also been installed to  
14 allow for active measurement of flow through the remote monitoring system. This  
15 included adding a weir plate and ultrasonic flow meter to the chlorine contact chamber.





1

2

*New remote monitoring units are installed at treatment facility and lift station.*



3



4

5

6

7

*New ultrasonic flow meter was installed in chlorine contact chamber. Top Left: contact chamber pit with ultrasonic meter pointed at water surface, Top Right: weir plate allowing for water level to be calibrated for flow rate, Bottom: meter controller.*

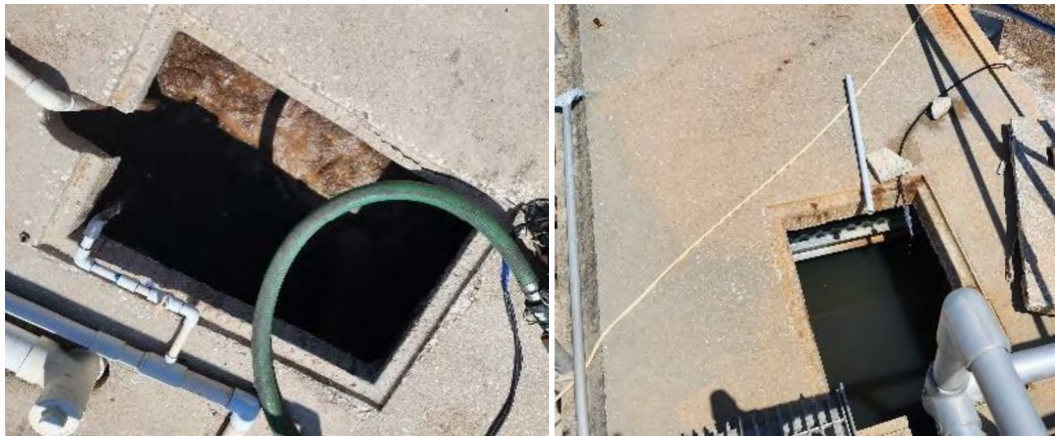
8

At acquisition, there were several operator safety issues noted at the facility.

9

Some of the handrails around the facility treatment basins were loose to the touch and

1 offered little or no support; some of the handrails were installed at a lower than ideal  
2 height, which created the potential for falling over the rails and making them difficult  
3 to grab for support; and the digester and chlorine contact basins lacked covers, which  
4 created open leading edges where an operator could fall into a basin. The handrails  
5 have been secured, and handrail heights have been adjusted where necessary. Where  
6 it was possible to locate the covers for the uncovered basins, they were placed back  
7 over the open basins. Where covers were missing, new covers were fabricated and  
8 installed to ensure operator safety.



9

10

*Missing covers on basins posing hazard to operations staff.*



11

12

*Covers replaced or added to ensure operator safety.*

13

14

Finally, some general facility cleanup and maintenance activities have been completed or are underway. Trash, debris, and nuisance vegetation had accumulated



1 around the facility grounds, boundaries, and rapid infiltration area and its boundaries.  
2 The vegetation caused or contributed to fence damage in some locations around the  
3 plant and rapid infiltration area. In addition, some portions of the rapid infiltration area  
4 lacked fencing, potentially compromising site security. Gates were damaged or  
5 missing at several entrances, as well. Trash, debris, and vegetation have been removed,  
6 and fencing and gates around the facility have been repaired or replaced.



7  
8 *Examples of damaged fencing and gates at the Sun Lake Estates Facility at acquisition.*



9  
10 *New gates and fencing installed by CSWR Florida.*

11 **Q. PLEASE DESCRIBE IMPROVEMENTS CSWR FLORIDA PLANS TO**  
12 **COMPLETE IN THE FUTURE AT THE SUN LAKE ESTATES**  
13 **WASTEWATER SYSTEM.**

14 **A.** Further improvements are required for the Sun Lake Estates system to ensure the

1 facilities are in a safe and operable condition so that the facility can consistently meet  
2 regulatory requirements and comply with standards, and to ensure that the facilities can  
3 be properly maintained in the future. While much work has already been performed  
4 on the facility blowers, other improvements to the aeration system are needed. Most  
5 of the aeration piping at the facility, including portions of the air header, diffusers, drop  
6 legs, and other aeration piping, are constructed from PVC piping, which is not a good  
7 material for aeration piping or above ground piping because exposure to heat and  
8 ultraviolet light in sunlight can cause the piping to degrade over time. This leads to air  
9 leaks that reduce the treatment effectiveness and shorten the useful life of facilities and  
10 equipment. Those sections of the aeration piping constructed from PVC will be  
11 replaced with proper steel aeration piping to ensure proper function and a longer useful  
12 life.



13  
14 *PVC aeration piping throughout facility to be replaced with proper materials.*

15 Issues related to influent screening, influent and return active sludge splitter  
16 box, and the sludge return splitter box also are being addressed. In the facility's current  
17 configuration, the bar screen is difficult to access, requiring operations staff to lean  
18 precariously over the influent basin making its current location problematic. In  
19 addition, operations staff must manually clean the screen to prevent nuisance solids



1 from entering the facility. As a result, the bar screen regularly fills with solids. The  
2 splitter box serves direct wastewater and returned active sludge from the clarifier to  
3 different portions of the aeration basins. The box's interior is in poor condition and  
4 will require replacement. CSWR Florida plans to replace existing facilities and  
5 equipment so influent flows directly into the splitter box through a new bar screen.  
6 This will allow easier cleaning of the bar screen with the splitter directing flow into the  
7 treatment basins. With these changes only excessive flows will be stored in the influent  
8 basin instead of the current design that directs all flow to the influent basin. This will  
9 improve the operational configuration of the facility.



10  
11 *Current configuration of splitter box and bar screen (left) and photo of bar screen filling*  
12 *with solids, note bar screen is not easily accessible by the protected walkways and hangs*  
13 *over the influent basin and frequently overfills with solids.*





*Condition of splitter box. Note interior rust and corrosion.*

Another ongoing issue with the treatment plant is the condition of the concrete treatment tanks. There are cracks in the structures that have been repaired with exterior patching, but the tanks continue to leak into the facility. Leaking of partially treated or untreated wastewater is unacceptable because it represents unauthorized releases to the environment. Over time, it also will result in the cracks in the tank worsening. CSWR Florida will work to patch the interior and exterior of each crack, instead of relying on exterior patching alone, to ensure that the leaks are properly and permanently resolved.



*Examples of leaks throughout tanks, and context for leaks along the outside of most tanks.*

*Note that all these leaks show signs of previous repair attempts consisting of mortar patching on the exterior or steel plates mounted on the exterior and leaking continued around repairs.*

As I previously testified, at acquisition no emergency backup power was present at the wastewater treatment site. An emergency generator will be installed to allow continued operation of the plant during power outages. As I also previously noted, fencing at the facility was damaged, primarily by uncontrolled overgrowth of vegetation. While new fencing and gates have been installed around the wastewater treatment facility, the fencing around the rapid infiltration area still needs to be replaced and CSWR Florida plans to do so to, among other things, prevent trespass into the

1 effluent dispersion area. In addition, as shown in the photos presented previously, a  
2 protected species (gopher tortoises) has been observed in the rapid infiltration area.  
3 Therefore, any work performed in the area will have to be evaluated to determine if  
4 protective measures, relocation, or permitting will be required to ensure the tortoises  
5 are not negatively impacted by the work performed. Finally, issues regarding the  
6 collection system will continue to be addressed on an ongoing basis. This includes  
7 repairing leaks and breaks as they are identified, working to locate any buried manholes  
8 and cleanouts and expose them (potentially requiring installation of new risers),  
9 repairing or replacing any missing or damaged manhole covers, and repair to any  
10 damaged manhole rings.

11 **P. BFF Corp./Sandlin Woods Wastewater**

12 Q. **PLEASE DESCRIBE THE SANDLIN WOODS WASTEWATER SYSTEM AS**  
13 **IT EXISTED AT THE TIME OF ITS ACQUISITION BY CSWR FLORIDA.**

14 A. The Sandlin Woods wastewater system is a purchased treatment wastewater collection  
15 system serving 113 equivalent residential connections in Marion County. The  
16 wastewater system serves a subdivision in the northwest portion of Ocala. CSWR  
17 Florida closed on its acquisition of the wastewater system formerly owned by BFF  
18 Corp. on November 30, 2023. When this system operated its own wastewater treatment  
19 facility the facility was permitted by FDEP as the “Sandlin Woods” wastewater  
20 treatment facility. The “Sandlin Woods” name is still used so that is how I will refer  
21 to the system in my testimony. Since May 2001, Sandlin Woods collects wastewater  
22 and conveys flows to the Crownwood wastewater treatment facility (“Crownwood  
23 WWTF”) owned and operated by Sunshine Water Services Company (formerly known  
24 as Utilities, Inc. Of Florida). At acquisition, the Sandlin wastewater system consisted  
25 of gravity collection flowing to one of three lift stations depending on which portion of

1 the service area lines are located. Two of the lift stations convey wastewater via force  
2 main to the main lift station located in the Northeast portion of the service area, which  
3 then conveys wastewater flows to the Crownwood WWTF. None of the lift stations  
4 included emergency generators or quick connects for connecting a mobile emergency  
5 generator. The main lift station and the lift station located at the Forest Hill  
6 Subdivision were evaluated to be in fair condition, while the one at the Village of Ascot  
7 Health facility was evaluated to be in good condition.

8 Q. **PLEASE PROVIDE AN OVERVIEW OF THE CONDITION OF THE**  
9 **SANDLIN WOODS WASTEWATER SYSTEM WHEN IT WAS PURCHASED.**

10 A. Various components of the Sandlin Woods wastewater collection system were in poor  
11 condition or were otherwise in need of improvement at the time of acquisition. Issues  
12 with the system that CSWR Florida identified at the time of acquisition include the  
13 following:

- 14 • No remote monitoring systems were present at lift stations
- 15 • Security fencing was in poor condition at main lift station
- 16 • Discharge piping was in poor condition at main lift station
- 17 • The valve box cover was damaged at main lift station
- 18 • The control panel at the main lift station was in poor condition
- 19 • No bypass pump piping was present at Forest Hill lift station
- 20 • The control panel was in poor condition at Forest Hill lift station
- 21 • No security fencing was present at Forest Hill lift station
- 22 • No security fencing was present at Ascot Health lift station
- 23 • No emergency generator quick connects were present at any of the lift stations
- 24 • No guide rail systems for pump maintenance were present at any of the lift

1 stations

- 2 • Pumps used in the system were approaching the end of their useful lives at all  
3 lift stations

4 Q. DO YOU HAVE ANY OVERVIEW PHOTOS OF THE SANDLIN WOODS  
5 WASTEWATER SYSTEM?

6 A. Yes, the photos below show an aerial view of the Sandlin Woods wastewater system  
7 and of each lift station.



8

9

*Aerial view of the Sandlin Woods Community.*





1

2

*Sandlin Woods Main Lift Station at the time of acquisition*



3

4

*Sandlin Woods Village of Ascot Health Lift Station at the time of acquisition, note lack of*

5

*security fencing.*



6

7

*Sandlin Woods Village of Forest Hill Subdivision Lift Station at the time of acquisition, note*

8

*lack of security fencing.*

9

1 Q. PLEASE DESCRIBE THE COMPLIANCE HISTORY OF THE SANDLIN  
2 WOODS SYSTEM UNDER PREVIOUS OWNERSHIP.

3 A. The Sandlin Woods wastewater system is not subject to any compliance agreements  
4 and there is no FDEP compliance history for the system because the wastewater  
5 treatment facility was decommissioned in 2001, and the system was converted to a  
6 purchased treatment collection system conveying its wastewater to the Crownwood  
7 WWTF.

8 Q. PLEASE DISCUSS IMPROVEMENTS COMPLETED TO DATE AT THE  
9 SANDLIN WOODS WASTEWATER SYSTEM.

10 A. Various improvements have been made to date to the Sandlin Woods wastewater  
11 system. Remote monitoring equipment has been installed at all three lift stations.



12  
13 *Remote monitoring installed at lift stations (left Main Lift Station, center Ascot Health Lift*  
14 *station, right Forest Hill lift station)*

15 Security fencing around the main lift station site was in poor condition, so to  
16 ensure site security the fencing has been replaced.





*Example of fencing damage at the main lift station site (left) and new fencing (right)*

In addition, the discharge piping at the main lift station was in poor condition.

To prevent leaks of wastewater and ensure proper operation, the discharge piping has been replaced.



*Improper repairs to discharge piping at main lift station with PVC and ratchet straps (left) and new discharge piping (right)*

Other miscellaneous improvements also have been made, as needed, including maintenance of cleanouts and repairs to leaking or broken collection system lines.

**Q. PLEASE DISCUSS IMPROVEMENTS CSWR FLORIDA PLANS TO COMPLETE IN THE FUTURE AT THE SANDLIN WOODS WATER SYSTEM.**

**A.** Further improvements are needed at the Sandlin Woods wastewater system to ensure

the facilities are in a safe and operable condition, and to ensure the facilities can be maintained moving forward. All three lift stations require some common improvements. First, none of the lift stations included the means to connect an emergency generator. Being able to connect a generator allows lift stations to be operated during power failures with enough frequency to prevent service interruptions, backups, or overflows. None of the lift stations included guide rails for servicing lift station pumps. Rails make it safer and easier to lift pumps for service and help to extend the useful life of the pumps. Finally, the pumps in the lift stations were approaching the end of useful lives and no service records were available to enable CSWR Florida to determine if proper pump maintenance had been completed under previous ownership. To ensure the pumps are in good operable condition for the future, all pumps have been slated for replacement.



*Note example of lack of guide rail lifting system for pump maintenance in the Sandlin Woods lift stations.*

The main lift station has several other planned improvements. The valve box cover is damaged and in need of replacement to extend the useful life of the valves. The power and control panels were also in poor condition and did not include the means to connect a mobile backup generator.





*Valve box cover allowing water infiltration (left) and poor condition power and control panels (right) at main lift station.*

Several additional improvements are also needed at the Forest Hill lift station. First, the lift station lacks emergency bypass piping, which allows a mobile pump to be connected to operate the lift station in the event of a pump or power failure or outage. This ensures continuous operation during maintenance activities and emergencies, thus preventing service interruptions. The control panel at the Forest Hill lift station is also in poor condition and should be replaced to prevent failure leading to service interruption. Finally, both the Forest Hill and Ascot Health lift stations lack security fencing, which should be installed to ensure site security.

CSWR Florida has made, or has plans to make in the future, all the repairs, replacements, and upgrades to the Sandlin Woods facility I just mentioned.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

**A.** Yes.

1                   (Whereupon, prefiled rebuttal testimony of  
2    Jake Freeman was inserted.)

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application for increase in water and )  
wastewater rates in Brevard, Citrus, Duval, ) DOCKET NO. 20250052-WS  
Highlands, Marion, and Volusia Counties by )  
CSWR-Florida Utility Operating Company, LLC. )

**REBUTTAL TESTIMONY OF**

**JACOB FREEMAN**

**on behalf of**

**CSWR-Florida Utility Operating Company, LLC**

**April 17, 2026**

**I. INTRODUCTION**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Jacob Freeman, and my business address is 1630 Des Peres Rd., Suite 140, St. Louis, Missouri 63131.

**Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN THIS CASE?**

A. Yes. I have previously presented direct testimony on behalf of CSWR-Florida Utility Operating Company, LLC. (“CSWR-Florida” or “Company”).

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. My rebuttal testimony addresses the Complaint and Compliance Data provided by the Florida Department of Environmental Protection (“DEP Report”) which was submitted into the docket by the Staff of the Florida Public Service Commission (“Staff”) on March 10, 2026. Attachment A to the DEP Report consists of a drinking water and wastewater complaint summary, and Attachment B consists of a drinking water and wastewater compliance summary. Mr. Thomas addresses those two attachments in his rebuttal testimony. My testimony addresses approximately 370 pages of various records from DEP regarding wastewater compliance matters attached to the DEP Report.

18



1 **II. DEP REPORT**

2 **Q. HAVE YOU REVIEWED THE DEP REPORT?**

3 A. Yes.

4 **Q. WHAT IS YOUR UNDERSTANDING AS TO THE BASIS FOR THE DEP**  
5 **REPORT?**

6 A. It is my understanding that the DEP Report was submitted pursuant to Section  
7 367.0812(l)(b) and (c), Florida Statutes (F.S.) which requires that the  
8 Commission consider the extent to which the Company “meets secondary water  
9 quality standards as established by the Department of Environmental  
10 Protection.” This determination not only includes testimony and evidence  
11 provided by customers and the utility, but also “the results of past tests” and  
12 “complaints. . . filed by customers. . . during the past 5 years.” While not all the  
13 information contained in the DEP Report is technically related to “secondary  
14 water quality standards”, it is my opinion that the DEP provided this information  
15 to be fully responsive.

16 **Q. DO YOU HAVE ANY GENERAL COMMENTS REGARDING THE DEP**  
17 **REPORT?**

18 A. Consistent with Staff’s request, DEP provided information related to “the past 5 years.”  
19 It is important to point out that the information for these years, does not consider  
20 whether the DEP complaints and compliance issues occurred or originated while the  
21 system was owned by the Company or whether it occurred under prior system  
22 ownership.<sup>1</sup> The complaints and compliance issues illustrate the distressed nature of

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<sup>1</sup> While the violations may not have occurred or originated during the period in which CSWR-Florida owned these systems, some of the violations may be ongoing while the Company coordinates with DEP on the proper solution to the underlying system problems.

1 the systems later acquired by the Company, and show that in many cases how the  
 2 Company has since rectified or made progress towards resolving these long-term  
 3 compliance issues through capital investment, operational improvements, and the  
 4 Company's technical expertise. As such, the DEP Report supports the testimony  
 5 previously provided by Mr. Cox:

6 His [Mr. Freeman] testimony amply demonstrates the deteriorated state  
 7 of the plant facilities we acquired, the generally poor history these  
 8 systems had complying with applicable health, safety, and  
 9 environmental regulations, and the challenges these systems present in  
 10 terms of the capital improvements required to address those issues for  
 11 the present and future.<sup>2</sup>  
 12

13 **Q. WOULD YOU PROVIDE THE DATES THAT CSWR-FLORIDA ACQUIRED**  
 14 **THESE VARIOUS SYSTEMS?**

15 A. Yes. The table below shows the date of each acquisition.

| System             | Types                | Acquisition Date  |
|--------------------|----------------------|-------------------|
| Aquarina           | Water and Wastewater | May 16, 2022      |
| Sunshine Utilities | Water                | May 24, 2022      |
| North Peninsula    | Wastewater           | May 26, 2022      |
| Neighborhood       | Water                | November 17, 2022 |
| Rolling Oaks       | Water and Wastewater | November 30, 2022 |
| Sebring Ridge      | Wastewater           | August 31, 2023   |
| CFAT               | Water and Wastewater | November 30, 2023 |
| BFF                | Wastewater           | November 30, 2023 |
| Tradewinds         | Water and Wastewater | November 30, 2023 |
| TKCB               | Wastewater           | December 27, 2023 |
| Tymber Creek       | Water and Wastewater | May 31, 2024      |

16

17 **Q. WOULD YOU PROVIDE SOME SPECIFIC EXAMPLES OF THE**  
 18 **“GENERALLY POOR HISTORY THAT THESE [ACQUIRED] SYSTEMS**  
 19 **HAD COMPLYING WITH APPLICABLE HEALTH, SAFETY, AND**  
 20 **ENVIRONMENTAL REGULATIONS?”**

<sup>2</sup> Cox Direct, Docket No. 20250052-WS, filed May 30, 2025, at page 5 (emphasis added).

1 A. Yes. The CFAT and North Peninsula systems are specific examples of the poor history  
2 of compliance with applicable health, safety, and environmental regulations.

3 **Q. PLEASE DISCUSS THE CFAT SYSTEM.**

4 A. Pages 26-73 of the DEP Report<sup>3</sup> detail the numerous problems identified at the Landfair  
5 wastewater treatment system owned and operated by CFAT H2O (“CFAT”) until  
6 November 30, 2023. For instance, pages 26 and 27 consist of a Warning Letter which  
7 documents issues identified during an inspection on February 16, 2021. Specifically,  
8 the letter noted the following issues:

- 9 • Excessive effluent quality violations for TSS.
- 10 • TN effluent violations.
- 11 • Failure to submit for 2 years Semi-Annual groundwater monitoring
- 12 reports.
- 13 • A build up of solids in the holding pond.

14 The attached wastewater compliance inspection report provided greater detail  
15 supporting the Warning Letter. Specifically, the inspection report noted that the  
16 “monthly geometric mean for Fecal Coliform (FC) was calculated and reported  
17 incorrectly on the Discharge Monitoring Reports (DMRs).”<sup>4</sup> Additionally the  
18 compliance inspection report identified: (1) a continued problem with Total Suspended  
19 Solids (“TSS”) exceedances,<sup>5</sup> (2) excessive Total Nitrogen (“TN”) readings,<sup>6</sup> (3) a

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<sup>3</sup> The DEP did not include date stamps, so identification of specific pages is difficult. The document consists of 377 pages, and when I reference specific pages, I am referring to the page number identified by Adobe Acrobat when accessing the DEP Report.

<sup>4</sup> *DEP Report*, page 32.

<sup>5</sup> *Id.*, page 34.

<sup>6</sup> *Id.*, page 35.

1        buildup of solids at the south side of the holding pond,<sup>7</sup> and (4) a failure to submit  
2        ground water monitoring reports for 2019 and 2020.<sup>8</sup>

3                Pages 38-39 of the DEP Report contain a Warning Letter associated with a prior  
4        inspection of the CFAT wastewater system. The letter noted the following  
5        observations:

- 6                • The permit renewal application had not been received.
- 7                • The chlorine contact chamber wall was leaking effluent.
- 8                • The Operation and Maintenance manual was not on site.
- 9                • The flow meter calibration was past due.

10              The problems identified in DEP Report were never adequately addressed by the  
11        prior owner. Shortly after acquiring the CFAT systems, CSWR executed a Consent  
12        Order with DEP which noted “chronic effluent violations that generated a significant  
13        out-of-compliance finding with Total Suspended Solids (TSS) limits” and a “buildup  
14        of solids” in the lined holding pond.

15        **Q. HAVE YOU PREVIOUSLY DISCUSSED THE ISSUES AT THE CFAT**  
16        **SYSTEM THAT WERE IDENTIFIED IN THE DEP REPORT?**

17        A. Yes. In my Direct Testimony, I discussed the long history of operational and design  
18        problems at the CFAT system under prior ownership.<sup>9</sup> Specifically, I noted that “there  
19        were many issues concerning the condition of the Landfair wastewater system when it  
20        was acquired by CSWR Florida.”<sup>10</sup> Included in these issues, I acknowledged “[t]he  
21        need to comply with Consent Order requirements for holding pond maintenance.”<sup>11</sup>  
22        Additionally, I pointed out that “[i]n March 2021, FDEP issued a warning letter to the

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<sup>7</sup> *Id.*

<sup>8</sup> *Id.*, page 36.

<sup>9</sup> Freeman Direct, Docket No. 20250052-WS, filed May 30, 2025 (“Freeman Direct”), pages 66-69.

<sup>10</sup> *Id.*, at page

<sup>11</sup> *Id.*, at page 65.



1 utility that highlighted excessive total suspended solids violations, ongoing failure to  
2 comply with total nitrogen limits, failure to submit semiannual groundwater monitoring  
3 reports for two years, and a buildup of solids in the holding pond.”<sup>12</sup>

4 **Q. WHAT IS CSWR-FLORIDA DOING TO CORRECT THE PROBLEMS AT**  
5 **THE CFAT WASTEWATER FACILITY?**

6 A. As I noted in my Direct Testimony:

7 The facility, as it exists today, cannot meet these limits without  
8 significant changes. CSWR Florida’s third-party engineering partners  
9 evaluated the facility to determine if the existing plant could be  
10 upgraded to meet these limits, or if a new treatment plant would be  
11 required. In this evaluation the current condition of the treatment plant  
12 structures was considered and the work that would be required to ensure  
13 the tanks are in good condition for the future. The third-party engineers  
14 determined the existing leaking concrete tanks cannot be effectively  
15 repaired, and therefore the most cost-effective and responsible approach  
16 to achieving compliance will be constructing a new wastewater  
17 treatment facility that is designed with total nitrogen limit compliance  
18 in mind. The process of designing, permitting, bidding, and  
19 constructing a new treatment plant is a long one. Therefore, the existing  
20 facility must remain operational throughout the whole process. This  
21 means CSWR Florida will make only the minimal necessary repairs to  
22 ensure the existing facility can continue to operate until a new facility  
23 can be brought online. Improvements to be made will, to the greatest  
24 extent possible, ensure any new equipment will be usable at, or will not  
25 conflict with, the new facility. Any improvements made to the existing  
26 facility will involve the bare minimum investment necessary to ensure  
27 the existing facility is operating as required to comply with applicable  
28 environmental laws and ensure customers receive safe and reliable  
29 service.<sup>13</sup>

30  
31 **Q. DO YOU HAVE ANY PICTURES OF THE LEAKING CONCRETE TANKS?**

32 A. Yes. The following pictures show the active leaks on the CFAT concrete tanks.  
33 Moreover, given the significant algal and bacterial growth on the tanks’ exteriors, it is  
34 apparent that the leaks have been present for a significant period.

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<sup>12</sup> *Id.*, at page 67.

<sup>13</sup> *Id.*, at pages 69-70.



Examples of leaks on the steel (top left) and concrete (all other photos) tanks with ongoing leaks evident by ineffective patching and significant growth of algae and rust accumulation below leaks.

**Q. WHAT IS THE STATUS OF THE WASTEWATER TREATMENT FACILITY REPLACEMENT?**

A. In my Direct Testimony, I noted that the design phase was currently underway and would require the replacement of all treatment processes “including influent screening, aeration treatment, clarification, and disinfection, and the new facility will utilize the existing effluent disposal system and rapid infiltration basins.”<sup>14</sup> I also noted that “[t]he holding pond [was] being evaluated to determine if it should be rehabilitated, decommissioned, or repurposed for solids holding and processing.”<sup>15</sup>

<sup>14</sup> *Id.*, at page 75.

<sup>15</sup> *Id.*

1           Since that time, the facility design has progressed with third-party engineers  
2           who have proposed an MABR (Membrane Aerated Biofilm Reactor) facility which will  
3           effectively meet all permitted limits. Plans are expected to be submitted to FDEP for  
4           permitting by June 2026.

5   **Q.   HAS CSWR-FLORIDA CONTINUED TO COMMUNICATE WITH DEP**  
6   **REGARDING THE STATUS OF THE CFAT WASTEWATER SYSTEM?**

7   A.   Yes. CSWR-Florida has submitted quarterly reports updating DEP on the status of  
8           improvement projects since Q1 2024. Additionally, the current DEP consent order is  
9           in the process of being modified to properly account for the design stage of the project,  
10          providing appropriate time for an effective plant design to be completed. A draft of the  
11          modified consent order was received from DEP on April 2, 2026.

12   **Q.   DID THE INFORMATION CONTAINED IN THE DEP REPORT**  
13   **REGARDING THE CFAT WASTEWATER FACILITY SURPRISE YOU?**

14   A.   No. As I mentioned, the problems with this facility are well known and have lingered  
15          for over a decade. Through due diligence the Company realized the extent of the  
16          problems and the significant period that would be necessary to resolve these lingering  
17          compliance issues.

18   **Q.   PLEASE DISCUSS THE PROBLEMS AT THE NORTH PENINSULA SYSTEM**  
19   **RELATED TO ITS “GENERALLY POOR HISTORY. . . OF COMPLYING**  
20   **WITH APPLICABLE HEALTH, SAFETY, AND ENVIRONMENTAL**  
21   **REGULATIONS?”**

22   A.   The DEP Report also details the non-compliance issues at the North Peninsula  
23          wastewater system.<sup>16</sup> Specifically, pages 95-96 of the DEP Report are a Notice of

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<sup>16</sup> *DEP Report*, pages 95-131.

Violation (“NOV”) at the North Peninsula wastewater facility dated May 6, 2022. The NOV was based upon an inspection that was made on April 14, 2021. Detailed in the NOV are allegations of: (1) insufficient staffing by an appropriately certified operator; (2) excessive odors beyond the boundaries of the wastewater treatment plant; (3) excessive vegetation in the rapid infiltration basins; (4) significant corrosion in both internal and external walls of Plants #1 and #3 and bowing of the northeast section of Plant #1; and (5) groundwater monitoring wells in need of maintenance.<sup>17</sup> While the former owner allegedly addressed issues 1 and 3, the other more significant issues went unresolved. Ultimately, the DEP imposed administrative penalties and ordered that the previous owner replace the steel internal panels in Plant #1 and Plant #3 where significant corrosion was noted, patch and properly coat all holes, correct the "bowing" at the northeast end of Plant #1 tank, add concrete pads around monitoring wells, repair or replace risers, remove vegetation in the well area, provide locked well caps, and label the wells.

**Q. WERE THESE DEFICIENCIES ADDRESSED?**

A. No. Ultimately, CSWR-Florida executed a Consent Order with DEP providing it an opportunity to address the following deficiencies:

- Significant corrosion noted throughout the facility structural components in violation of Chapter 62-620.610(7) F.A.C.
- Broken travelling bridges in plant number 1 and number 3 in violation of Chapter 62-620.610(7) F.A.C.
- The Rapid Infiltration Basin (RIB) 1 that needed to be cleaned of excessive vegetation and scarified in violation of Chapter 62-610.523, F.A.C.

**Q. HAVE YOU PREVIOUSLY DISCUSSED THE PROBLEMS AT THE NORTH PENINSULA SYSTEM?**

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<sup>17</sup> *Id.*, at page 97.



1 A. Yes. At pages 6-11 of my Direct Testimony, I discuss the history of noncompliance  
2 and of enforcement actions from DEP associated with the North Peninsula system.  
3 There I referenced: (1) a May 2017 letter from DEP “designed to address several  
4 incidences of noncompliance observed during a March 7, 2017, inspection,” (2) an  
5 October 13, 2017 follow-up notice due to the previous owner’s failure to response to  
6 the May 2017 communication, (3) a March 2018 letter citing the North Peninsula  
7 system for failing to include adequate plans to complete improvements in its permit  
8 renewal application, (4) a July 2018 Consent Order mandating certain corrective  
9 actions, (5) the April 2021 Warning Letter, (6) the August 2021 Consent Order, and (7)  
10 the May 2022 Notice of Violation.

11 Independent of the actions taken by DEP regarding the North Peninsula  
12 wastewater system, I also documented actions taken by the Volusia County Growth  
13 and Resource Management Department in response to numerous “unsatisfactory  
14 conditions” at the facility.

15 **Q. WHAT WAS THE CONDITION OF THE NORTH PENINSULA**  
16 **WASTEWATER SYSTEM AT THE TIME IT WAS ACQUIRED?**

17 A. As described in my Direct Testimony, the wastewater treatment plant was “in  
18 extremely poor condition at the time of acquisition.”<sup>18</sup> I noted: (1) “all three package  
19 plants [were] in failing condition,” (2) significant leaks and bowing walls in both steel  
20 plants, and (3) a wall failure in the concrete plant which resulted in the release of  
21 wastewater.<sup>19</sup> As a result, I concluded that “each of the package plants [had] reached  
22 the end of its useful life and further repairs [would] not significantly extend the life or  
23 meaningfully remedy each plant’s problems.”<sup>20</sup> Moreover, I posited that “the overall

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<sup>18</sup> *Freeman Direct*, page 11.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

1           deteriorating condition puts the North Peninsula facility at risk of catastrophic  
2           failure.”<sup>21</sup>

3       **Q.     DO YOU HAVE PICTURES THAT SHOW THE CONDITION OF THE**  
4       **NORTH PENINSULA FACILITIES?**

5       A.     Yes. The following pictures exemplify the problems at North Peninsula.



7           Examples of steel tanks and equipment deterioration at closing and examples of the numerous poorly installed  
8           welded patches on the tanks.  
9  
10



11           Examples of cracking and exposed rebar in concrete tanks.  
12

13       **Q.     HOW DOES CSWR-FLORIDA INTEND TO ADDRESS THE PROBLEM**  
14       **WITH THE FAILURE OF THE NORTH PENINSULA WASTEWATER**  
15       **FACILITY?**

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<sup>21</sup> *Id.*

1 A. As discussed in the response to Data Request #2 filed on March 24, 2026, in Docket  
2 20250038-WS, the approach for the North Peninsula site was originally to shut the  
3 facility down and connect to the City of Ormond Beach treatment facility. However  
4 various obstacles have caused the project approach to be reevaluated. The following is  
5 an excerpt from the data request response:

6 [A]s discussed in the alternatives analysis presented in the acquisition  
7 adjustment filing for the North Peninsula site, CSWR-Florida  
8 previously assessed options for the long-term issues at the treatment  
9 facility and determined that connection to the City of Ormond Beach  
10 wastewater treatment system was the most cost effective and viable  
11 option for long term compliance and reliable service. CSWR-Florida  
12 has pursued that alternative but has been met with numerous roadblocks  
13 including resistance to granting required DOT permits, the eventual  
14 revocation of the granted DOT permit, resistance from the City itself to  
15 accept the flow from the community, and political pressures opposing  
16 the connection of the community to the system. As a result, CSWR-  
17 Florida has reevaluated the obstacles that made plant replacement a less  
18 viable option and has determined that while certain factors make the  
19 project complex, they can be overcome. Therefore, CSWR-Florida now  
20 believes plant replacement is the most viable alternative. Furthermore,  
21 in the reexamination of the plant replacement option, our third-party  
22 engineers now believe the estimated cost of the plant replacement  
23 project could be significantly lower than their initial evaluation. As a  
24 result, the plant replacement option is now estimated at a total of  
25 \$4.25M compared to \$5.93M for the consolidation with City of Ormond  
26 Beach. While these are still preliminary estimates and not bids or  
27 proposals, it further justifies the decision to switch to plant replacement  
28 as the selected alternative.  
29

30 **Q. HAVE YOU PREVIOUSLY ADDRESSED THE OTHER ISSUES**  
31 **DOCUMENTED IN THE DEP REPORT?**

32 A. Yes. In addition to the issues raised regarding CFAT and North Peninsula, the DEP  
33 Report also addresses concerns related to: (1) Rolling Oaks,<sup>22</sup> (2) Sebring Ridge,<sup>23</sup> (3)  
34 Tradewinds,<sup>24</sup> and (4) Tymber Creek.<sup>25</sup>

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<sup>22</sup> *DEP Report*, pages 132-189.

<sup>23</sup> *Id.*, pages 190-305.

<sup>24</sup> *Id.*, pages 307-325.

<sup>25</sup> *Id.*, pages 326-327.

1   **Q.   PLEASE DESCRIBE THE ISSUES RAISED IN THE DEP REPORT**  
2   **REGARDING ROLLING OAKS.**

3   A.   Page 132 of the DEP Report relates to an inspection at the Rolling Oaks wastewater  
4       system on October 22, 2021, where the system was determined to be “in compliance.”  
5       Pages 133-142 documents an unauthorized discharge of wastewater in 2021 in which  
6       the DEP determined that there was not “substantial impact to the environment.”

7               Pages 143-171, however, address a November 17, 2021, inspection as part of  
8       the permit renewal process.<sup>26</sup> There, the system was found to be “out of compliance.”<sup>27</sup>  
9       Among the issues observed during that inspection were: (1) solids in the weir, (2)  
10      excessive algae and trash in the weir, (3) problems with the skimmer arm, (4) foam and  
11      trash in the aeration basins, (5) dead zones in the aeration basins, (6) an inoperable  
12      blower, (7) solids and debris in the chlorine contact chamber, (8) foaming and trash in  
13      the still well, and (9) missing signage.<sup>28</sup> Photos of these problems were provided at  
14      pages 165-171 of the DEP Report.

15             Finally, pages 172-189 concern an inspection that occurred in 2023 six months  
16      after the acquisition by the Company. While the inspection report notes several aspects  
17      of the system that were in compliance, it notes the following issues after the Company  
18      acquired the system: (1) a sewage spill that did not reach the surface waters and the  
19      incomplete nature of the follow-up report; (2) the failure to provide the transfer of  
20      ownership forms; (3) notification that the interim limit for total nitrogen was expiring;  
21      (4) the need to sample and file results of primary and secondary drinking water  
22      parameters for monitoring wells; (5) the need to report various sampling reports, (6)

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<sup>26</sup> Many of the issues associated with this inspection report were discussed in my Direct Testimony. See *Freeman Direct*, pages 88-89.

<sup>27</sup> *DEP Report*, page 145.

<sup>28</sup> *Id.*, page 155.



1 debris in the aeration basin; and (7) the need to file a corrective action plan for returning  
2 the system to normal operations including a timeline for addressing the problems with  
3 the clarifier.

4 **Q. WERE THE ISSUES AT ROLLING OAKS SURPRISING?**

5 A. No. As I mentioned in my Direct Testimony, the Company had identified an extensive  
6 list of issues with the Rolling Oaks wastewater treatment facility including:

- 7 • The digester air header was damaged and leaking air,
- 8 • Existing aeration drop legs and diffusers were in poor condition,
- 9 • A failed blower attributable to a failed motor,
- 10 • Clarifier skimmer/rake arm were not functioning properly,
- 11 • The disinfection dosing system lacked a variable feed rate and disinfection  
12 chemical was stored with no shade structure, which allowed for early chemical  
13 breakdown with UV exposure,
- 14 • The roll up door of the shop building was broken,
- 15 • The shop building roof was in poor condition,
- 16 • The blower building was in poor condition,
- 17 • Catwalks and handrails were in poor condition and missing at some locations  
18 around the treatment facility,
- 19 • Exterior coatings of tanks, piping, and buildings were deteriorating and in poor  
20 condition,
- 21 • Lift Station 14 had only one functional pump,
- 22 • Discharge piping at lift station 12 was in poor condition
- 23 • The control panel for lift stations 1 and 9 control failed shortly after acquisition,
- 24 • There was no remote monitoring equipment present at the treatment plant and  
25 the lift stations,
- 26 • No fencing was present at lift stations 3, 4, 5, 7, 9, and 10,
- 27 • Vegetation, trash, and debris had accumulated around the site and along the  
28 fence line, damaging perimeter fencing,
- 29
- 30
- 31
- 32

- Fencing around the site was damaged and/or missing in some locations, including the main gate,
- Significant corrosion was notable on all steel tanks, indicating limited useful life for the plant superstructure,
- The permit cycle improvement plan required the facility to be upgraded to 1 MGD capacity, and to meet total nitrogen (“TN”) limits,
- The facility’s hydrosieve system was regularly overwhelmed, leading to sanitary sewage overflows and nuisance solids entering the facility,
- The lime stabilization basin was out of service and needed to be restored, removed, or repurposed,
- Effluent pipeline to rapid infiltration basins (“RIBs”) was in poor condition and needed to be repaired or replaced,
- Lift stations 5, 7, and 9 lacked guide rail systems necessary for pump maintenance,
- Control panels at lift stations 3, 4, 5, 6, and 12 were in poor condition and mounted near the ground,
- Lift station 2 had an outdated design and was in poor condition, and
- Various collection system deficiencies (inadequate, unlocated, and unexercised isolation valves, leaks in collection lines, missing or buried cleanout/manholes, broken manhole rings and missing manhole covers) also were noted. Much of the collection system was determined to be old and made of poor materials necessitating a replacement plan to ensure all old piping is eventually replaced.<sup>29</sup>

**Q. HAVE THE ISSUES IDENTIFIED REGARDING THE ROLLING OAKS SYSTEMS BEEN RESOLVED?**

A. The Company has made extensive improvements to the Rolling Oaks system including aeration equipment, clarifier, disinfection system, facility structures, lift stations, monitoring equipment, and general site conditions to address the listed issues. An

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<sup>29</sup> Freeman Direct, pages 85-87.

1 extensive discussion of these improvements is contained at pages 89-97 of my direct  
2 testimony.

3 **Q. DOES THE COMPANY INTEND TO MAKE FURTHER IMPROVEMENTS**  
4 **AT ROLLING OAKS?**

5 A. Yes. The most extensive improvement is to upgrade the plant capacity to 1 MGD by  
6 installing a new treatment plant, which will also allow the Company to meet total  
7 nitrogen effluent limits. The Company explored the option of connecting to the nearest  
8 publicly owned treatment facility, but that facility does not have adequate capacity.  
9 Therefore, the Company will ultimately construct a new facility and decommission the  
10 failing components. This is an extensive process involving design, permit, bidding,  
11 and ultimately construction.

12 **Q. PLEASE DESCRIBE THE ISSUES RAISED IN THE DEP REPORT**  
13 **REGARDING SEBRING RIDGE.**

14 A. Pages 190-305 of the DEP Report document the significant problems at the Sebring  
15 Ridge wastewater facility. Much of this history of noncompliance was discussed at  
16 pages 24-26 of my Direct Testimony. First, pages 231-259 contain a report  
17 documenting violations from an inspection that occurred on December 8, 2020.  
18 Foremost among these violations were: (1) uncalibrated chlorine and pH meters, (2) an  
19 incomplete chain of custody form, (3) deficient discharge monitoring reports (“DMR”),  
20 (4) clogged diffusers, and (5) excessive vegetation and accumulated sludge in the pond.

21 On December 19, 2023, less than three months after CSWR-Florida acquired  
22 the system, DEP conducted another inspection of Sebring Ridge.<sup>30</sup> Given the short  
23 period of time that the Company had owned the facility, many of the deficiencies were

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<sup>30</sup> See, pages 190-230 of the DEP Report.

1 still present including the problems with the pH and chlorine meters, chain of custody  
2 form, DMRs, diffusers, and vegetation / accumulated sludge.

3 **Q. HAVE THE ISSUES IDENTIFIED REGARDING THE SEBRING RIDGE**  
4 **SYSTEM BEEN RESOLVED?**

5 A. As I noted in my Direct Testimony, there were many issues at the Sebring Ridge  
6 wastewater facility at the time of acquisition and that “the facility was in poor condition  
7 with many assets having reached the end of their useful life and many others having  
8 been poorly maintained.” CSWR-Florida is currently working with DEP to address the  
9 overall deficiencies of the facility including the five issues indicated above. A consent  
10 order has been executed to facilitate bringing the facility into compliance. Many of the  
11 referenced issues have been corrected, however in working with DEP to complete the  
12 items set forth in the order, the facility has been evaluated and it has been determined  
13 that the facility is significantly undersized for the flows it receives, cannot treat to the  
14 new Total Nitrogen and Total Phosphorus limits, and is in overall poor condition.  
15 CSWR-Florida’s evaluation has concluded that to establish long term compliance, the  
16 facility must be replaced and the rapid infiltration basins enlarged to handle the flow  
17 the facility receives. CSWR-Florida submits quarterly reports to DEP as well as  
18 participating in regular update meetings, demonstrating the Company's commitment to  
19 making the necessary investments to achieve lasting compliance. Such a  
20 comprehensive solution does not occur quickly as this type of work included detailed  
21 design and technical specifications, adherence to the DEP enforcement process,  
22 “requires permitting,” and must be “competitively bid to ensure projects are completed  
23 at the lowest cost possible.”<sup>31</sup>

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<sup>31</sup> *Id.*



1           While the Company continues to work with DEP to facilitate this long-term  
2           correction, the DEP “has continued to issue inspection reports and warning letters  
3           regarding issues left unresolved by prior ownership.”<sup>32</sup> While some interim fixes have  
4           been implemented, others cannot be addressed without the larger facility project and  
5           will take time to resolve. In the meantime, “CSWR-Florida regularly meets with FDEP  
6           to provide updates and maintain a cooperative relationship while working towards full  
7           compliance.”<sup>33</sup>

8   **Q.   PLEASE BRIEFLY DESCRIBE THE ISSUES RAISED IN THE DEP REPORT**  
9   **REGARDING TRADEWINDS.**

10   A.   Pages 307-325 document some problems that existed at the Tradewinds wastewater  
11       facility prior to the acquisition by CSWR-Florida. Specifically, pages 307-308 discuss  
12       violations that were noticed during a July 14, 2020, inspection. Among these violations  
13       were: (1) failure to meet reporting requirements, (2) failure to meet secondary treatment  
14       requirements for TSS, (3) failure to submit quarterly groundwater monitoring reports,  
15       (4) failure to maintain the clay lined holding pond, and (5) failure to maintain the spray  
16       field. A subsequent letter dated September 21, 2022, notes continued chronic effluent  
17       limit violations for TSS and total nitrogen, problems with the clay lined holding pond,  
18       and failure to maintain the spray field.

19   **Q.   HAVE THE PROBLEMS WITH THE TRADEWINDS WASTEWATER**  
20   **TREATMENT FACILITY BEEN RECTIFIED?**

21   A.   Yes. As I mentioned in my Direct Testimony, these violations were rectified by  
22       connecting the Tradewinds wastewater system to the Marion County Utilities  
23       wastewater system and decommissioning the treatment plant.

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<sup>32</sup> See, e.g., DEP Report, pages 260-305.

<sup>33</sup> Freeman Direct, pages 25-26.

1   **Q.     PLEASE BRIEFLY DESCRIBE THE ISSUES RAISED IN THE DEP REPORT**  
2   **REGARDING TYMBER CREEK.**

3   A.    Pages 326-377 of the DEP Report discusses problems with the Tymber Creek  
4       wastewater treatment facility prior to its acquisition by CSWR-Florida. Much of this  
5       information was previously documented at pages 126-128 of my Direct Testimony.  
6       Specifically, pages 352-362 of the DEP Report contain a Notice of Violation, dated  
7       July 14, 2022, that focused on chronic exceedances of TSS and the failure to maintain  
8       a Sanitary Sewer Response Plan. The issue of the chronic TSS violations was then  
9       memorialized in a Consent Order dated July 29, 2022.<sup>34</sup> Pages 327-337 of the DEP  
10      Report is a subsequent Consent Order between the DEP and Tymber Creek Utilities,  
11      dated March 11, 2024, resulting from an unreported sanitary sewer overflow from lift  
12      station 1. The overflow matter apparently went unresolved as a similar Consent Order  
13      was executed with CSWR-Florida on January 13, 2025, for the identical issues.<sup>35</sup>

14   **Q.     WERE THE TSS ISSUES ADDRESSED BY THE PRIOR OWNER?**

15   A.    No. As I mentioned in my Direct Testimony, there were several problems at the  
16       Tymber Creek wastewater facility including “sludge accumulation. . . in several  
17       portions of the treatment plant, which contributes to total suspended solids (“TSS”)  
18       exceedances.”<sup>36</sup>

19   **Q.     WERE THE SANITARY SEWER OVERFLOW ISSUES AT LIFT STATION 1**  
20   **ADDRESSED BY THE PRIOR OWNER?**

21   A.    No. There is a recurring sanitary sewer overflow from lift station 1 due to its location  
22       below the 100-year flood elevation and general poor condition which mandates  
23       significant rehabilitation.

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<sup>34</sup> *DEP Report*, pages 364-374.

<sup>35</sup> *Id.*, pages 338-349.

<sup>36</sup> *Freeman Direct*, page 124.

1   **Q.   HAVE THE ISSUES ASSOCIATED WITH THE CHRONIC TSS**  
2       **EXCEEDANCES AND SANITARY SEWER OVERFLOWS AT LIFT**  
3       **STATION 1 BEEN CORRECTED?**

4   A.   An engineering project is underway to correct these issues. The existing lift station  
5       will be decommissioned, and a new lift station will be constructed out of the area where  
6       the flood plain and protected wetlands are located. This will eliminate the issues with  
7       overflows. Additionally, CSWR-Florida's operations team is in the process of  
8       reworking the facility's sand filter to stop the ongoing TSS exceedances.

9   **Q.   DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

10  A.   Yes.

1 BY MR. WOODSMALL:

2 Q Have you attached any exhibits to your  
3 prefiled testimony?

4 A Yes, I have.

5 Q Are those exhibits identified for the record  
6 as Exhibits 80 through 88?

7 A Yes, I believe that's correct.

8 Q Do you have any correction to those exhibits?

9 A No, I do not.

10 Q Have you prepared a summary of your prefiled  
11 direct and rebuttal testimony?

12 A Yes, I have.

13 Q Would I please provide the parties and the  
14 Commission with that summary?

15 A Yes.

16 Good morning, Commissioners. Thanks for the  
17 opportunity to come here today.

18 As Mr. Cox explained, solving the problem with  
19 distressed water and wastewater systems requires a  
20 multifaceted solution. It involves technical,  
21 operational, managerial and financial expertise. My  
22 goal today is to show what technical expertise looks  
23 like in practice, what the company found when it  
24 acquired these systems, and how it is applying  
25 disciplined engineering to fix these systems.

1           When CSWR acquired these 38 systems, what I  
2   saw confirmed Mr. Cox's point. These were not isolated  
3   problems, these Florida system -- Florida problems were  
4   indicative of a water and wastewater infrastructure  
5   epidemic that is the result of years of underinvestment,  
6   deferred maintenance and gaps in compliance. And as Mr.  
7   Cox emphasized, capital alone is not enough to fix these  
8   systems. You need the technical capability to deploy it  
9   correctly.

10           So the company started with a systematic  
11   engineering-driven evaluation of every system, looking  
12   at structural integrity, treatment performance,  
13   compliance and long-term viability. Across almost all  
14   of them, the conditions were the same, infrastructure at  
15   the end of its life, treatment processes that could not  
16   meet current standards, and little to no monitoring or  
17   operational control. That is exactly why technical  
18   expertise matters. These are not problems you solve  
19   with patchwork fixes. You need engineering judgment to  
20   determine what can be salvaged and what can't.

21           At the Sebring Ridge wastewater system, the  
22   issues were systemwide. Following a disciplined  
23   engineering approach, the company determined that  
24   piecemeal repairs would not solve the problem. A full  
25   redesign is required. So we have stabilized the plant



1 for now while advancing the long-term solution  
2 consistent with the phased practical approach Mr. Cox  
3 described.

4           The Sunshine Water systems make the  
5 scalability of this approach clear. Across 23 separate  
6 water systems, it also shows that the ability to detect  
7 systemwide issues comes with operational expertise.  
8 Based upon its operational and technical experience,  
9 CSWR repeatedly found the same deficiencies. Tanks,  
10 disinfection, electrical and monitoring shortcomings.

11           After a catastrophic tank failure early on,  
12 the company didn't treat it as an isolated event.  
13 Instead, CSWR implemented a portfolio-wide engineering  
14 program to assess and upgrade all system similar assets.  
15 That's how technical expertise turned into consistent  
16 systemwide improvement.

17           In some cases, the engineering conclusion is  
18 more straightforward and obvious. Rehabilitation is not  
19 viable. At the CFAT Landfair Wastewater System, the  
20 plant cannot meet stringent nitrogen limits and cannot  
21 be structurally repaired. So aligned with Mr. Cox's  
22 focus on long-term solutions, we are designing a new  
23 facility rather than continuing to invest in a failing  
24 one.

25           While all systems do not require complete

1 system replacement, they all suffer from the same lack  
2 of operational attention and lack of maintenance.  
3 Another key piece is operational visibility. Many of  
4 these systems have little to no realtime monitoring. By  
5 installing monitoring controls and remote monitoring,  
6 the company shifted from reactive to proactive  
7 operations. That's foundational to modern utility  
8 management and to making sure investments actually  
9 deliver results.

10           And just as Mr. Cox emphasized, this work has  
11 to be prioritized. These systems cannot be rebuilt  
12 overnight. So we focus first on stabilization,  
13 protecting public health and compliance, while building  
14 long-term capital plans to address the root problems.

15           Ultimately, my testimony shows how the  
16 technical expertise component of this multifaceted  
17 solution is being applied on the ground. The challenges  
18 are significant, but the path forward is clear and  
19 grounded in engineering analysis.

20           The investments we are making are not  
21 discretionary. They are what is required to move these  
22 systems from risk and underinvestment to stability,  
23 compliance and long-term sustainability. And that's the  
24 connection to Mr. Cox's testimony, capital is necessary,  
25 but without the engineering discipline to guild it, it

1 won't solve the problem. CSWR provides both.

2 In my rebuttal testimony, I reviewed the  
3 Florida Department of Environmental Protection report  
4 provided by staff, which complies five years of  
5 complaint and compliance data for these systems. That  
6 information is misleading in several ways. First, the  
7 table provided by staff is already outdated as the  
8 company has many letters from FDEP showing that several  
9 systems are now in compliance.

10 Second to the extent that a system is out of  
11 compliance, that report does not attempt to isolate  
12 issues that occurred under prior ownership. Instead,  
13 the report implicitly seeks to assign blame to the  
14 company for compliance problems associated with decades  
15 of neglect.

16 What that record shows is consistent with my  
17 direct testimony. These are deeply distressed systems  
18 with longstanding compliance challenges. Across  
19 multiple facilities, the DEP data documents a history of  
20 reoccurring problems such as effluent violations,  
21 structural deterioration, inadequate monitoring and  
22 failures to meet reporting requirements.

23 Additionally, I found that many of these  
24 issues are not the result of short-term operational  
25 lapses, but, rather, stem from years of underinvestment

1 in aging infrastructure. In many cases, these  
2 deficiencies cannot be resolved through incremental  
3 repairs, but instead, require significant capital  
4 projects, including the full treatment, plant  
5 replacement or major process redesign.

6 Ultimately, nothing in the DEP report  
7 surprised me, as my direct testimony is incredibly  
8 transparent regarding the distressed nature of these  
9 systems.

10 Since acquisition, the company has made  
11 meaningful progress through capital investment,  
12 operational improvements in ongoing coordination with  
13 DEP, including consent orders in regular reporting.  
14 However, these efforts also demonstrate that achieving  
15 long-term compliance as a complex multiyear process that  
16 requires engineering design, permitting and careful  
17 implementation.

18 Overall, my review of the DEP report simply  
19 confirms that the conditions I described in my direct  
20 testimony accurately reflect the state of the systems,  
21 that the challenges are significant and persistent in  
22 the company's approach, grounded in technical,  
23 operational, managerial and finance expertise is the  
24 only way to bring these systems into safe, reliable and  
25 sustainable operation.

1 Thank you.

2 MR. WOODSMALL: Your Honor, CSWR tenders  
3 Mr. Freeman for cross-examination on both his  
4 direct and rebuttal testimonies.

5 CHAIRMAN SMITH: Okay. OPC, you are  
6 recognized for cross-examination.

7 MR. WATROUS: Thank you, Madam Chair.

8 EXAMINATION

9 BY MR. WATROUS:

10 Q And good morning, Mr. Freeman.

11 A Good morning.

12 Q How are you doing today?

13 A I am just fine. Thank you.

14 Q Well, much of your testimony describes system  
15 conditions that existed before CSWR acquired these  
16 systems, is that correct?

17 A That is correct.

18 Q And you repeated by attribute the compliance  
19 problems with the current systems to prior ownership?

20 A That is correct.

21 Q And many of the Florida Department of  
22 Environmental Protection enforcement actions dated back  
23 years before CSWR acquired its Florida systems?

24 A That is correct. They had a long -- there is  
25 a long history of compliance issues with the systems.



1           **Q     So CSWR was aware these systems had**  
2           **substantial operational and compliance problems prior to**  
3           **acquisition?**

4           **A     Correct.**

5           **Q     And the conditions of these systems were not**  
6           **hidden from CSWR?**

7           **A     I am sorry, could you repeat that?**

8           **Q     The conditions of these systems were not**  
9           **hidden from CSWR?**

10          **A     No. They were not.**

11          **Q     And the condition of the systems was a major**  
12          **reason why the purchase prices were negotiated as they**  
13          **were?**

14          **A     I am not involved in the negotiation of the**  
15          **purchase prices.**

16          **Q     So if CSWR knew the deteriorated condition of**  
17          **these systems, why did they continue to purchase them?**

18          **A     I mean, generally speaking, that's the**  
19          **foundation of our business.**

20          **Q     So you took the systems as you found them?**

21          **A     We purchased the systems in the condition that**  
22          **they existed, yes.**

23          **Q     Okay. And if they were under compliance**  
24          **issues with FDEP, you were aware of those?**

25          **A     Yes.**

1           **Q     And CSWR understood that additional investment**  
2     **would likely be required after those acquisitions?**

3           **A     Yes.**

4           **Q     And CSWR performed due diligence before**  
5     **purchasing all the systems?**

6           **A     Yes.**

7           **Q     And that due diligence included an engineering**  
8     **review of the system conditions?**

9           **A     That is correct.**

10          **Q     So the need for substantial rehabilitation was**  
11     **foreseeable based on those engineering studies?**

12          **A     Yes.**

13          **Q     And despite that knowledge, CSWR proceeded**  
14     **with the acquisitions anyway?**

15          **A     Yes.**

16          **Q     Regarding North Peninsula, I think you had**  
17     **mentioned that you evaluated multiple or alternatives**  
18     **before selecting connection with the City of Ormond**  
19     **Beach, is that correct?**

20          **A     That is correct.**

21          **Q     Has that system been connected to the City of**  
22     **Ormond Beach?**

23          **A     No.**

24          **Q     Why not?**

25          **A     There is a multiple number of reasons.   One**

1 being we had to get an FDOT permit, which we were  
2 granted, and then it was later -- rejected is probably  
3 not the right word, but pulled back, invalidated.

4 And then through ongoing negotiations with the  
5 City to get an agreement in place, at the very tail end  
6 of those negotiations, they told us that they would  
7 require significant -- not payment, but they --  
8 basically they need to do a bunch of upgrades on their  
9 system, so we would have to make a payment in order to  
10 do the connection, which drove the cost of that project  
11 up significantly.

12 **Q And are you still planning to connect to the**  
13 **City of Ormond Beach?**

14 A No, we are not.

15 **Q And many of the expenditures that CSWR has**  
16 **undertaken were necessary to achieve or maintain**  
17 **regulatory compliance with DEP?**

18 A I am sorry, could you repeat that?

19 **Q So the expenditures that CSWR has undertaken,**  
20 **were many of those expenses necessary to achieve**  
21 **regulatory compliance with the Florida Department of**  
22 **Environmental Protection?**

23 A I don't know that I could answer that because  
24 don't know what all expenses you are referring to are  
25 included in this case.

1           **Q     Did CSWR expend capital to achieve regulatory**  
2   **compliance with the Department of Environmental**  
3   **Protection?**

4           A     Yes.

5           **Q     And would you agree that correcting deferred**  
6   **maintenance is different from creating entirely new**  
7   **customer benefits?**

8           A     I am sorry, could you repeat that again?

9           **Q     Okay. Yeah, I will rephrase it.**  
10                   **You would agree that correcting deferred**  
11   **maintenance of plants is different from creating new**  
12   **plant?**

13          A     I mean, sometimes to correct the problems  
14   associated with deferred maintenance, the final solution  
15   would be to build a new plant. I don't know that you  
16   could entirely split those apart.

17          **Q     And you would a say that CSWR had to perform**  
18   **work that was necessary because multiple prior owners**  
19   **had failed to maintain the systems properly?**

20          A     Yes.

21          **Q     And so a portion of those expenditures merely**  
22   **restored systems to acceptable operating condition, is**  
23   **that correct?**

24          A     Yes. Mr. Cox described that in what he called  
25   the triage repairs at the beginning of ownership.

1           **Q     And does the company receive copies of DEP**  
2           **notice and compliance communications?**

3           A     Before acquisition, that's something that our  
4           third-party engineers do, is gather all the compliance  
5           history information, and then, obviously, after we own  
6           the systems, those communications would come directly to  
7           the company.

8           **Q     Were there occasions when the company knew**  
9           **deficiencies before the Department of Environmental**  
10          **Protection issued a notice?**

11          A     I am not sure about that. Are you speak --  
12          referring to something specific?

13          **Q     I am asking generally, would the company be**  
14          **aware of deficiencies before DEP issued a notice?**

15          A     It's possible, yes.

16          **Q     And has there been instances in Florida where**  
17          **CSWR knew that the system was deficient before DEP**  
18          **issued a notice?**

19          A     I don't know if I have all the information  
20          to -- it's possible. I just don't -- I don't know  
21          specifically.

22          **Q     And would you agree that customers do not**  
23          **cause these DEP violations?**

24          A     I'm sorry, customers don't call what?

25          **Q     Cause the Department of --**



1           A     Oh, cause.

2           **Q     Yeah.**

3           A     They absolutely can. You know, it's not  
4 uncommon for, like in a sewer system, if customers are  
5 disposing of grease down the drain, that collects,  
6 causes, you know, what we call fog and which can clog up  
7 the collection system and cause SSOs in the system. So,  
8 no, that -- customers can and do impact operation of the  
9 system and compliance of it.

10          **Q     All right. So are the customers responsible**  
11 **for paying for the remediation of that violation?**

12          A     The company would pay for it on the front end  
13 when it occurs.

14          **Q     And you would agree that customers have no**  
15 **ability to manage utility facilities?**

16          A     No, they do not.

17          **Q     Okay. And CSWR is responsible for operating**  
18 **and maintaining those facilities?**

19          A     That is correct.

20          **Q     And so just in closing here, your testimony**  
21 **primarily establishes that these systems were in poor**  
22 **condition before CSWR acquired them?**

23          A     That is correct.

24          **Q     And CSWR knew substantial future investment**  
25 **would be required?**

1           A     That is correct.

2           **Q     And CSWR comprehensively performed due**  
3 **diligence prior to purchasing any much the Florida**  
4 **systems?**

5           A     That is correct.

6           **Q     Thank you. I have no further questions.**

7           CHAIRMAN SMITH: Okay. Thank you.  
8           Staff?

9           MR. BLOOM: We have no questions.

10          CHAIRMAN SMITH: Commissioners?

11          Commissioner Ortega.

12          COMMISSIONER ORTEGA: Thank you, Madam Chair.

13          Good morning, Mr. Freeman.

14          THE WITNESS: Good morning.

15          COMMISSIONER ORTEGA: Just a quick follow-up  
16 on your summary this morning. You mentioned that  
17 the DEP report didn't reflect the instances where  
18 prior ownership was the cause of some of the  
19 compliance issues. Are there specific systems that  
20 you identified that carried forward to the  
21 compliance issues from prior ownership?

22          THE WITNESS: So yeah, and what I meant by  
23 that comment is that the -- it was -- what was  
24 received from DEP was simply a table, and it showed  
25 five years, but it didn't delineate what was prior

1 to our ownership and post our ownership, or what  
2 the cause of that was, whether it was -- you know,  
3 if we received an NOV a week after we bought it,  
4 that's -- you know, we received it. It's coming  
5 out during our ownership, but obviously, in a week,  
6 we couldn't have, you know, caused the system to be  
7 noncompliant.

8 And I guess to your second question, I think  
9 what -- I think what you are asking, so there  
10 were -- let's see here. There were eight -- eight  
11 systems that were in compliance upon acquisition,  
12 and then another three that are -- two are  
13 collection only wastewater systems. So there is no  
14 treatment plant there, and the sewage is sent to  
15 another entity to treat. And then there is one  
16 water system that is purchased water, so there is  
17 no wells. These there is no intake. We are simply  
18 buying finished water from another entity.

19 So you take those out of it, there were 27  
20 systems out of compliance upon acquisition. We  
21 have correspondence in -- I believe 13 of those  
22 have been returned to compliance during our tenure  
23 with the systems. And then -- so that leaves 14  
24 that are in a state of we are waiting on paperwork  
25 for DEP to confirm that they are back into

1 compliance, we have ongoing construction projects,  
2 or we have projects that are in design and  
3 permitting.

4 COMMISSIONER ORTEGA: Okay. That's helpful.  
5 Thank you for that clarification.

6 Something also from this morning, and if a  
7 better witness would answer, just let me know. Are  
8 there some projects that you guys have undertaken  
9 to address excessive unaccounted for water during  
10 your ownership that can be attributed to the  
11 company's ownership?

12 THE WITNESS: Yes. So the major thing -- in  
13 my mind, one of the biggest problems with  
14 unaccounted for water, it's very common that, you  
15 know, like on a well system, that you would have a  
16 master meter on the well. So you know what's  
17 coming out of the ground. We have to report on all  
18 that.

19 But the -- to be very accurate in the  
20 reporting of the unaccounted for water, you have to  
21 know the exact amount that's being sold. And what  
22 we've -- you know, what the situation was when we  
23 acquired these systems is that the individual  
24 meters of peoples homes were, in some cases, 30, 40  
25 years old. And typically, on those type of meters,

1 residential meters, when they are old and they are  
2 not calibrated, they will read on the low side. So  
3 then you have, you know, you have a delta there  
4 that contributes to that.

5 So what we -- what we have done so far -- and  
6 I don't have the exact number. Mr. Thomas may  
7 know, but we have made significant strides in  
8 replacing those individual meters with new meters  
9 that are accurate.

10 COMMISSIONER ORTEGA: Okay. Thank you.  
11 That's all my questions.

12 CHAIRMAN SMITH: Okay. Thank you.

13 I have a quick follow-up. So if a system is  
14 not in compliance, as that -- you, as the current  
15 utility owner, you are the ones that are  
16 responsible for bringing the utility in compliance  
17 regardless of whether those issues occurred prior  
18 to your ownership, correct?

19 THE WITNESS: That is correct.

20 CHAIRMAN SMITH: All right. That's all I  
21 have.

22 Any other Commissioners?

23 Okay. Redirect?

24 MR. WOODSMALL: Thank you, Your Honor. Very  
25 briefly.



1 FURTHER EXAMINATION

2 BY MR. WOODSMALL:

3 Q You were asked some questions by OPC about the  
4 fact that CSWR knew the condition of these systems when  
5 it bought it. Do you recall that's those?

6 A Yes.

7 Q And based upon your knowledge, do you know if  
8 there are any other customers buying -- or any other  
9 utilities buying distressed systems in Florida?

10 A None -- none that I have run into --

11 Q Okay.

12 A -- but there could be.

13 Q So if CSWR didn't buy these systems, given  
14 your experience, you don't believe there are any other  
15 companies out there that would buy these distressed  
16 systems?

17 MR. WATROUS: Objection. Leading.

18 CHAIRMAN SMITH: I might say overruled. I  
19 think he is just clarifying a question that you  
20 asked earlier, so if you could just answer it.

21 THE WITNESS: I would agree. In my  
22 experience, in Florida and in other states, if  
23 we -- if we are trying to work a deal to acquire a  
24 system and it doesn't occur, then a lot of times,  
25 years later, it has gotten worse, and sometimes

1 will even, you know, resurrect a deal that had, you  
2 know, that fell through prior because no one else  
3 has come through to acquire it.

4 BY MR. WOODSMALL:

5 Q Thank you.

6 You were asked some questions about whether  
7 CSWR is sometimes aware of violations before DEP issues  
8 that notice. Do you recall that question?

9 A Yes.

10 Q And can you tell us, does CSWR communicate  
11 with DEP regularly?

12 A Yes.

13 Q And what is -- how do those communications  
14 occur? What is the nature of those?

15 A Well, first of all, we have a dedicated EH&S  
16 person here in the state that talks to DEP regularly.  
17 And then we also have a, for lack of a better, a  
18 company-wide, we have with multiple departments that  
19 have, I believe they are currently monthly meetings with  
20 DEP. So it would include people from EH&S, Engineering,  
21 Operations, and they discuss orders, ongoing  
22 construction, permitting, design, you know, all facets  
23 of compliance and operation of the systems.

24 Q So concerns of D -- EA -- excuse me. Concerns  
25 of DEP, when you receive those, those typically don't

1     **surprise you, you are aware of those beforehand?**

2           A     The -- I would say that's probably true for  
3     the operations staff because they would -- you know,  
4     typically that would be a sanitary inspection. I am  
5     just thinking of one in particular. So they would meet  
6     on-site. If something came up, then, yeah, they  
7     would -- we know about it before receiving the actual  
8     letter.

9           **Q     And real quick, you used the acronym EH&S?**

10          A     Environmental Health and Safety.

11          **Q     And you said that is a Florida specific**  
12     **person, is that correct?**

13          A     That is correct.

14          **Q     Okay. Last question. You were asked some**  
15     **questions by Commissioner Ortega about excessive**  
16     **unaccounted for water. Do you recall that?**

17          A     Yes.

18          **Q     And is excessive unaccounted for water**  
19     **affected by water main leaks?**

20          A     Yes, it is.

21          **Q     Can you tell me -- can you discuss what caused**  
22     **some of the main leaks at some of the systems that**  
23     **CSWR-Florida purchased?**

24          A     Yeah, the two big ones that come to mind are,  
25     one, age and then inferior material, and -- well, maybe

1 three. And then just very nonindustry standard repairs,  
2 previous repairs, I will put it that way.

3 So, you know, one of the things we do is when  
4 we have a leak, we identify a leak and we dig it up. If  
5 there is multiple clamps that have repaired prior leaks,  
6 or we find, you know, the nonindustry standard water  
7 main materials, we will, you know, dig back and replace  
8 a section of pipe with the type of material that's  
9 supposed to be there to get rid of -- obviously, you  
10 know, if a piece of electrical conduit is leaking here,  
11 you know, it's very likely it will leak, you know, a  
12 foot or two down in the future, so we just get rid of  
13 that whole section entirely.

14 **Q I am confused. You used the word electrical**  
15 **conduit when talking about water main leaks?**

16 A Yes.

17 **Q Can you explain that? That doesn't seem to**  
18 **connect in my mind.**

19 A Well, it shouldn't be there. The -- you know,  
20 whoever installed, it -- it's less expensive because the  
21 wall is thinner. There is less material. So someone  
22 decided to replace or install a section of water main  
23 with inferior material that doesn't meet code  
24 regulations.

25 **Q You have actually seen that in Florida?**

1           A     I have -- I have been told. It's been  
2     communicated to me that that has been found by our  
3     operations staff.

4           **Q     And what system is that, do you know?**

5           A     It was -- there were -- if memory serves me  
6     right, there is several of the Sunshine systems that  
7     they found electrical conduit and other inferior  
8     materials at. I don't recall the exact system off the  
9     top of my head.

10          **Q     And when you refer to those, that is what you**  
11       **mean by nonindustry standard main materials, is that**  
12       **correct?**

13          A     Yeah. I mean, water main, sewer main all has  
14     a standard that it has -- that it's supposed to meet.  
15     So if something is installed that doesn't meet that  
16     standard and the regulations, that would be inferior  
17     nonindustry.

18               MR. WOODSMALL: Thank you, Your Honor. I have  
19     no further questions, and would ask to move  
20     Exhibits 80 through 88 into the record.

21               CHAIRMAN SMITH: Any objections? Seeing none,  
22     80 through 88 will be entered into the record.

23               (Whereupon, Exhibit Nos. 80-88 were received  
24     into evidence.)

25               MR. WOODSMALL: And since Mr. Freeman



1 testified on both direct and rebuttal, I would ask  
2 this witness be excused.

3 CHAIRMAN SMITH: Mr. Freeman, you are excused.

4 THE WITNESS: Thank you very much.

5 (Witness excused.)

6 MR. WOODSMALL: Thank you, Your Honor.

7 (Transcript continues in sequence in Volume  
8 2.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA     )  
COUNTY OF LEON     )

I, DEBRA KRICK, Court Reporter, do hereby  
certify that the foregoing proceeding was heard at the  
time and place herein stated.

IT IS FURTHER CERTIFIED that I  
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same has been transcribed under my direct supervision;  
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I FURTHER CERTIFY that I am not a relative,  
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DATED this 19th day of June, 2026.



DEBRA R. KRICK  
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