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April 24, 2023

VIA Electronic Filing to the Office of Commission Clerk

Florida Public Service Commission  
Office of Commission Clerk  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850  
Attn: Ms. Melinda Watts

**Re: Docket No. 20220149-SU - Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County.**

Dear Ms. Watts:

CSWR-Florida Utility Operating Company, LLC (“CSWR-Florida UOC” or the “Company”) submits the following response to Staff’s April 6, 2023 First Data Request.

1. Since the contract between CSWR and Sebring Ridge Utilities, Inc. was signed, CSWR has had over 18 months to learn about the wastewater system and area. Based on CSWR’s extensive experience in operating utilities in other states, what estimated cost savings is anticipated for the benefit of the customers?

**Response:** Estimated quantitative cost savings are shown in the table below. The Company has found that many of the benefits that customers have experienced as a result of CSWR’s acquisition of systems in Florida and other jurisdictions (including an improved quality of service, more timely resolution of customer concerns, and improved environmental compliance due to more experienced operators) will not result in direct cost savings and are difficult to quantify.

Cost savings are typically achieved through the realization of economies of scale available at CSWR. These economies of scale are seen through the bidding processes used by CSWR for the selection of an operations partner (operations bidding power) and a construction partner for any necessary process improvements (construction bidding power). Finally, cost savings are realized



through economies of scale associated with CSWR's management of the system as part of a larger portfolio of water / wastewater systems (management expense scale).

### Operations Bidding Power

CSWR is dedicated to identifying and employing qualified low-cost firms to operate facilities that we acquire. A multi-step process has been developed to ensure that the operation firm that delivers the best value of service is selected. The cost savings yielded from this process are due to the ability to bid multiple systems in a single bid package, and the ability of CSWR-Florida UOC to choose from the lowest cost qualified bidders.

The first step in this process is to identify potential firms in the vicinity of the acquisition. CSWR uses several avenues to identify potential operation firms. This includes, but is not limited to, web searches, contacting local Rural Water Associations, word of mouth, and local contacts in the area. The goal is to contact as many potential operation firms as possible to make sure that we can identify a firm that provides adequate services to assist CSWR in delivering safe and reliable water resources to the communities we serve.

After identifying potential firms, CSWR sends a Request for Qualifications (RFQ) packet. The RFQ packet will allow CSWR to formally determine a firm's suitability to operate/maintain CSWR water/wastewater systems. After a firm is deemed qualified, CSWR will begin to send the Request for Proposals (RFPs) for projects that are within the operation firm's service area and within that firm's operational capabilities. These RFPs typically contain multiple service areas/projects in order to best realize economies of scale and yield cost-savings to the customers. As new firms are identified and become qualified, the Company receives more bids and has a better chance of finding the best valued firm to provide service.

After approval for acquisition, the Company will divide up the newly acquired projects due for closing on a regional basis. This is done in an attempt to lower the operational costs and make the projects more manageable for CSWR and the selected operations firm. Another benefit to the regional break up is that it gives the opportunity for local operations firms to compete with nationwide firms. After the RFPs have been returned, CSWR's Environmental Health & Safety team reviews all the proposals to find the best value for the facility. The value is determined by a combination of cost, operator capabilities, and services provided from the operations firm. After the best value is determined, CSWR and the selected firm negotiate to ensure that all parties agree on how to best serve the community.

The table below shows the Company's projected operations expenses in the "Contractual Services" line item. Due to the transportation and rent expenses being included in the third-party O&M contracts, those lines have been left blank.

### Construction Bidding Power

CSWR relies upon recommendations from third party engineering consultants to select groups of construction contractors. From these groups the Company will request bids for construction



projects. The Company's strict insurance requirements typically correlate to medium-large contractors having a lower cost structure, established safety programs and sufficient workforce to complete projects on time and on budget. The contractors that make it through this vetting process are then placed on an approved bidder list for the areas in which they service.

Once bid packages are assembled, reviewed and approved by the Company's third-party engineering consultant, CSWR and the state regulatory body (if required), the bid packages are sent out to the approved contractors in the area of the proposed project. Once bids are received, they are evaluated by our third-party engineering consultant and CSWR for cost and completeness. The lowest cost responsive bidder is typically chosen to perform the construction project. This process allows for economies of scale due to the decreasing marginal cost as more projects are added. This process also allows for more competitive bidding as the amount of work increases which lends itself to higher value at a lower cost.

#### Management Expense Scale

Using CSWR, LLC as the management for this system allows the Company to spread out the salaries and wages across the entire customer base of approximately 140,000 connections. This allows for the customers of the acquired system to receive high quality technical and managerial expertise at a much lower cost than could otherwise be expected.

#### Overall Cost Narrative

The Sebring Ridge Utilities wastewater facility has a history of compliance issues. The Sebring Ridge wastewater system has had a number of violations in recent years including an issued warning letter following a Compliance Evaluation Inspection (CEI) in August of 2021 citing late reports, failure to calibrate sampling equipment, failure to report Sanitary Sewer Over-Flows, failure to submit a permit renewal request, and failures to properly maintain treatment components. While this warning letter was marked resolved, Sebring Ridge was subject to an Administrative Order for exceedance of effluent limitations which requires an engineering analysis for facility improvements. These compliance actions show a pattern of managerial and operational shortcoming, and of conditional issues that are left unaddressed until the FDEP initiates enforcement action. This represents shortcomings in the oversight of the system both in day-to-day practices as well as neglected reinvestment. While Sebring Ridge customers will still benefit from a significant qualitative improvement in their service (and the aforementioned economies of scale), given the grave and habitual nature of Sebring Ridge's violations, CSWR expects overall costs post-acquisition to increase by approximately \$52,000. This increase in financial outlays is primarily due to costs associated with contracting operators who possess the expertise necessary both to cure Sebring Ridge's continuing compliance issues and to ensure that the system can provide its customers with safe, reliable, and environmentally sustainable service without any future disruption. Additionally, the Company has budgeted increases in purchased power and chemicals to attempt to mitigate many of the compliance issues faced by Sebring Ridge in the past.



Acct No	Account Name	Sebring Ridge Wastewater	CSWR-Florida Amount
701	Salaries and Wages - Employees	\$ 13,760.00	\$ 45,298.00
703	Salaries and Wages - Officers, Directors, Stockholders	\$ 37,800.00	\$ -
711	Sludge Removal	\$ -	\$ -
715	Purchased Power	\$ 11,233.00	\$ 34,545.51
718	Chemicals	\$ 10,516.00	\$ 13,189.79
720	Materials and Supplies	\$ 37,250.00	\$ 11,758.08
730-736	Contractual Services	\$ 11,975.00	\$ 72,000.00
741-742	Rents	\$ 5,216.00	\$ -
750	Transportation Expense	\$ 8,742.00	\$ -
757	Insurance Expense	\$ 2,518.00	\$ -
775	Misc. Expense	\$ 6,438.00	\$ 20,995.10
	Total Ops and Maint Expense	\$ 145,448.00	\$ 197,786.48

Thank you for the opportunity to provide additional information in support of the application.

Sincerely,

*/s/ Thomas A. Crabb*

Thomas A. Crabb

Attorney for Applicant CSWR-Florida UOC

cc: Danijela Janjic, Esq. (janjic.danijela@leg.state.fl.us)  
Christopher and Pat Miller (juliapmiller@hotmail.com)