

BEFORE THE PUBLIC SERVICE COMMISSION

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

Docket No. 20240068-WS

SUNSHINE WATER SERVICES COMPANY'S
POST HEARING STATEMENT OF ISSUES AND POSITIONS

Sunshine Water Services Company ("Sunshine" or "Utility"), pursuant to Order No. PSC-2025-0042-PHO-WS, and Rule 28-106.215, F.A.C., files this Post Hearing Statement of Issues and Positions.

ISSUES AND POSITIONS

ISSUE 1: **Is the overall quality of service provided by the Utility satisfactory, and, if not, what systems have quality of service issues and what action should be taken by the Commission?**

POSITION *The quality of service is satisfactory for all systems.*

ARGUMENT -

Quality of service is evaluated by the Commission from three components – quality of the utility's product, operating conditions¹, and attempts to address customer satisfaction, each of which will be addressed separately. This Commission, in the Utility's 2016 rate case, at the suggestion of Commissioner Graham, further explained that customer service and quality of service are those matters that directly affect the customers, and not technical deficiencies. (Agenda Transcript in Docket No. 20160101-WS at page 22-23)

The Commission held two virtual and two in-person customer service hearings (no one showed up at one of the in-person hearings). Of Sunshine's approximately 65,000 water and wastewater customers (as of the end of the test year), only thirteen customers chose to provide testimony (six virtually and seven in-person) across the four hearings. This is about one-third the number of customers who testified in Sunshine's prior rate case.² This simple fact is a good indication that Sunshine provides good customer service. Many of the customers who made specific complaints later admitted that they had not previously brought those complaints to Sunshine's attention.

¹ Operating conditions is addressed in Issue 2.

² Order No. PSC-2021-0206-FOF-WS at page 10.

Quality of Product

The water provided by all of Sunshine's water systems meets all primary and secondary water quality standards (E. 113 P. E42015-E42017; Ex. 216; P. 772-1998). Only two of the customers who testified complained about the aesthetic quality of the water (Tr. 34: Dec. 17 hearing: Tr. 27; Dec. 19 hearing), and one customer specifically stated that he had no problem with water quality (Tr. 23; Dec. 3 hearing). There is no evidence in the record that the quality of water services produced and provided to customers is unsatisfactory. Only two of the Utility's 65,000 customers made aesthetic quality of service complaints to the Commission at the hearings and those water quality complaints were not prevalent in any particular water system (Ex.44, P. 2175-2178). DEP only received eleven water quality complaints from 2019 to the date of the response (Ex, 112, P. E42915-E42017). Even OPC's own Witness, Ralph Smith, testified that Sunshine provides safe and reliable water service (Tr. 441).

Attempt to Address Customer Satisfaction

There is no evidence in the record that the Utility has provided unsatisfactory customer service. One customer who complained that customer service did not answer when she called, later admitted that she called on a Sunday (Tr. 37; Dec. 17 hearing). Mr. Twomey, SWS's president also met with a homeowner's group in Sanlando to discuss issues they had (Tr. 18; December 19 hearing). The Utility is also proposing measures that would directly increase customer satisfaction, such as AMI metering and relieving customers of third-party processing fees at the point of payment. In addition, the Utility notes that Staff Witness Calhoun has identified only 107³ complaints from July 1, 2020, to June 30, 2024, (Tr 320), a significant decrease from the 194 complaints logged between October 5, 2015, and October 5, 2020, considered in the Utility's last rate case. Two thirds of the complaints related to billing issues, per Witness Calhoun.

ISSUE 1A: **Is the overall value to the customer provided by the Utility satisfactory, and, if not, what systems have value issues and what action should be taken by the Commission?**

POSITION *Since there is no objective standard of value, Sunshine is unable to take a substantive position. However, Sunshine does provide valuable service as it interprets this standard.*

ARGUMENT - Section 367.081(2)(a)1, Florida Statutes states:

The commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. In every such proceeding, **the**

³ Two of the complaints were about the outcome of the Utility's last rate case (Ex.43, C7-273)

commission shall consider the value and quality of the service and the cost of providing the service, which shall include, but not be limited to, debt interest; the requirements of the utility for working capital; maintenance, depreciation, tax, and operating expenses incurred in the operation of all property used and useful in the public service; and a fair return on the investment of the utility in property used and useful in the public service. However, the commission shall not allow the inclusion of contributions-in-aid-of-construction in the rate base of any utility during a rate proceeding, nor shall the commission impute prospective future contributions-in-aid-of-construction against the utility's investment in property used and useful in the public service; and accumulated depreciation on such contributions-in-aid-of-construction shall not be used to reduce the rate base, nor shall depreciation on such contributed assets be considered a cost of providing utility service. (e.s.)

The element of value is part of the quality of service evaluation, hence, "value and quality of service." If value was intended by the Legislature to be a separate concept, the phrase would have been "value, quality of service and cost of providing service." This is a basic tenant of statutory construction. Sunshine knows of no Commission order in a water or wastewater case where the concept of value is addressed as a separate and distinct element of quality of service. Value, as OPC would like it to be evaluated, is a subjective concept. Further, there is no testimony in the record of this case supporting this concept or delineating the criteria needed for its evaluation by the Commission.

ISSUE 2: Are the infrastructure and operating conditions of the Utility's water and wastewater systems in compliance with Florida Department of Environmental Protection regulations?

POSITION: *Yes, all systems are currently in compliance with DEP regulations, except for a technical non-compliance at the Mid-County system*

ARGUMENT: The Florida Department of Environmental Protection ("DEP") is the primary State agency with jurisdiction over the operational conditions of water and wastewater systems. The staff entered an exhibit which is a summary DEP addressing the compliance status of the various Sunshine facilities. (Ex. 113) That exhibit shows that all systems are in compliance except the Mid-County wastewater system, and the Lake Placid wastewater system. Lake Placid has since the date of that Exhibit been determined by DEP to be in compliance (Tr. 297).

Mid-County. In connection with several sanitary sewage overflows the Utility failed to follow-up with certain sampling, resulting in a Consent Order. The Consent Order had nothing to do with the operation of the wastewater treatment plant which continues to operate in compliance (Tr. 207, 208, 275-276, 297). In connection with that Consent Order, Sunshine agreed to do an in-kind project at the Cypress Lakes system, and that project is 95% complete (Tr. 275). The only reason that DEP deems this system out of compliance is that in-kind project required by the Consent Order has not been completed (Tr. 278). Admittedly, during Hurricane Debby the wastewater treatment plant could not process the high volume of water and did experience a small overflow at the plant (Tr. 276-277).

Wekiva Hunt Club WWTP. Although DEP identifies the Wekiva WWTP as being in compliance with its regulations (Ex. 113, P. E42019) - and that it has been since 2022, prior to the test year (Tr. 244) - OPC nonetheless proposes to penalize Sunshine through a reduction in its Return on Equity (ROE) for past issues although they apparently did not believe it was important enough to engage an engineer to provide technical testimony on the issue. The Consent Orders in 2015, 2018 and 2019 were the subject of a reduction in ROE penalty in the Utility's last rate case⁴, and it would not be appropriate to penalize the Utility yet again in connection with those Consent Orders. Sunshine notes that the date the Consent Orders were signed is years after the occurrences giving rise to them. As Mr. Twomey explained, the 2024 Consent Order that he signed was for events that predated March 2022, and the WWTP was brought back into compliance shortly thereafter (Tr. 244-245, 253).

While they may still be Rule violations, many of the violations in that Consent Order were directed to delays in reporting an incident to DEP and not the incident itself (Tr. 245-246). Discharges of partially treated effluent during hurricanes are unfortunate but it is impractical to design a wastewater system to handle the extraordinary amount of flows added by hurricanes (Tr. 247, 249)⁵ Mr. Twomey acknowledged Sunshine's management failures in the past and committed that under his leadership the WWTP will continue to operate in compliance (Tr. 253, 274).

Thus, there is no basis for determining that any of Sunshine's water and wastewater system were providing unsatisfactory service, and certainly not to the extent of meeting the standard for a reduction in Sunshine's ROE as suggested by OPC.

ISSUE 3: Should any adjustments be made to test year plant-in-service balances?

POSITION *Yes, Water - (\$18,428,130); Wastewater - \$18,428,130 to allocate common plant from water to wastewater; and Water - (\$29,570); Wastewater - (\$27,496) for audit adjustments to the test year land balances. *

ARGUMENT - The Test Year adjustments reflect allocations of common plant on the Test Year books and the corrected adjustment per Staff Audit Finding #7 to reclassify a non-utility balance out of Land and Land Rights, reducing Land and Land Rights by \$57,066, allocating \$29,570 to Water and \$27,496 to Wastewater. (Tr. 534).

⁴ Order No. PSC-2021-0206-FOF-WS at page 19.

⁵ Not to mention the used and useful issues of building that excess capacity.

ISSUE 4: Should adjustments be made to the Utility's pro forma plant additions?

POSITION *Yes, adjustments should be made to each pro forma plant addition where the updated estimated expenditures per the rebuttal testimony of Utility Witness Twomey differ from the amounts identified in the initial MFR's. The final amount of pro forma projects is Water - \$43,979,298; Wastewater - \$17,876,927*

ARGUMENT - The only pro forma projects that garnered any interest by OPC are AMI Meters (addressed in Issue 4A) and the PFAS remediation. In response to US EPA's establishment of standards for PFAS in water supplies (Tr. 284) Sunshine began testing its supply wells in 2020. This testing showed that six of the seven wells in the Orangewood system had PFAS concentrations of over 70 ppt which is substantially higher than the US EPA standard of 4 ppt (Tr. 285). Sunshine engaged an outside engineering firm to make recommendations on the various options and types of treatment, and Sunshine is following that recommendation. (Tr. 152-153; Ex. 96). The source of the PFAS has not been determined (Ex. 96, P. E28666). Without producing a single expert witness on PFAS remediation, OPC sought to question the reasonableness of the remediation process being used by Sunshine as recommended by its outside engineering consultants who had considered all options (Tr. 285-289). Sunshine addressed all of OPC's questions regarding this project (Ex. 96).

ISSUE 4A: Should the Commission approve the Utility's Advanced Metering Infrastructure (AMI) project?

POSITION *Yes as it provides substantial benefits for customers and addresses Sunshine's aging metering infrastructure*

ARGUMENT - Sunshine is currently in the process of upgrading its water meters throughout its water systems to an Advanced Metering Infrastructure (AMI) metering system. AMI, also referred to as smart meters, is an integrated system of meters and information systems that enables communication between meters and utilities. Many utilities around the world in the gas, electricity, and water sectors are implementing some form of AMI. The primary goal of the AMI system is to improve communication between utilities and customers. Major motivations for using AMI are that it promotes conservation, can improve emergency response, brings valuable information to customers, and allows the utility to respond faster to its service territory. As part of this program, Sunshine is implementing a customer engagement portal. This enables customers to conveniently access and monitor their water consumption data via a secure online portal. The portal makes customers more aware of how and when they use water and provides insights into on-premises leaks (Tr. 151). The project consists of replacing the existing water meters in the Sunshine water system with Neptune cellular-based AMI water meters by locating and raising existing meter boxes, replacing fittings and appurtenances as required to ensure proper fit and operation of the newly installed cellular based AMI water meters (Tr. 152).

OPC's opposition to the AMI metering project is perhaps the clearest exemplar that OPC's case appears to rest upon the theory that Sunshine is unnecessarily replacing infrastructure that is

providing proper service and, in doing so, not providing sufficient benefits to customers. The record clearly and unequivocally demonstrates both the prudence of and need for the AMI project and the detailed and methodical manner which Sunshine implemented in selecting the AMI metering project as the best way forward, as well as the numerous benefits customers will receive from AMI implementation.

Sunshine's current inventory of meters needs to be replaced and updated

Sunshine's meter replacement project will improve the quality and efficiency of service for over 37,000 customers (Tr. 163). With over 90% of the meter fleet past its depreciation life, the Utility elected to move forward with replacement of the entire fleet rather than having individual meters run to fail (Tr. 163). Even OPC Witness Smith admitted that the Utility should not wait until a water meter fails to replace it (Tr. 444). After the thorough and extensive selection process described herein and in the record evidence, Sunshine selected a well-known and proven meter and technology provider to replace its aging meter fleet, that being Neptune AMI Meter Solution (Tr. 163). Sunshine is already well on its way to replacing all of its water meters in the State of Florida (Tr. 163). Sunshine first identified that it needed to do a meter replacement project five years ago (Tr. 182). At that time, a study project was done to analyze its benefits, and the Utility explored several different options regarding the types of meters and the benefits experienced by the customers and Utility (Tr. 182-83). While OPC repeatedly attempted to infer that the meter installation project was somehow a low priority with the Utility, Mr. Toomey characterized that as "simply inaccurate" and noted that while it may have started as a lower priority while in the study phase 5 years ago, as the Utility had a 90% depreciated asset group and could not simply "afford to have meters run to fail and continue to expect to provide safe and reliable water to our customers", the meter installation project has risen to one of the highest priorities for the Utility and its customers (Tr. 184).

OPC Witness Smith, a CPA licensed in Michigan (Tr. 386), has no experience operating a utility in Florida (Tr. 425) and has only analyzed a single other case in Florida, over 10 years ago (Tr. 425). Mr. Smith had done no analysis of whether the meter fleet needed to be replaced nor the pros and cons of any alternative to the AMI meters (Tr. 427-428). Rather, he inferred that the meters must not have needed replacement since Sunshine was providing a high quality of service with the old meters, de facto adopting the exact approach which Mr. Toomey testified the Utility would not and should not employ - waiting to replace the meters either in an inefficient ad hoc fashion or after widespread failure. Mr. Smith confirmed he has no experience operating water utilities and has no certifications to do so (Tr. 425-426), but as the single witness for the single party opposing this application, he continually testified on operational matters that were clearly outside of either his experience or expertise, and perhaps on no subject was that more true than his testimony on the AMI metering project.

To maximize the useful lives and functionality of its assets, Sunshine follows a set of internal preventative maintenance guidelines and a newly adopted Renewal and Replacement program, which identifies assets at the end of useful life to prioritize for replacement. These guidelines help to ensure the Sunshine systems remain in good operating condition and minimizes service disruption risks. In turn, Sunshine has adopted and continues annually scheduled

inspections and maintenance programs to meet all state and federal guidelines to deliver safe and reliable drinking water and safe effluent disposal. (Tr.142).

Mr. Twomey's clear testimony that the reason for the AMI project was to replace an aging and depreciating meter fleet, and was an opportunity to replace all those aging meters at once to get a better product that would have better benefits for the customers, and the utility, and society in general (Tr. 231) is unchallenged in the record. OPC Witness Smith admitted that in replacing old equipment, newer technology should be employed (Tr. 445-446). Of course, those aspects of AMI that benefit the utility would flow to customers in the form of improved service, operational efficiencies, and resource management. OPC Witness Smith also admitted that AMI meters would be "valuable" to customers and can produce cost savings and benefits to customers (Tr. 432-433).

Sunshine engaged in a methodical and thorough selection process prior to selecting the advanced metering infrastructure to accomplish the needed metering replacement

Sunshine, working with its parent company, designed and implemented a thorough and extensive process to determine and select the vendor, the meter type, and the meter technology to be employed in the AMI project. That evaluation included AMI, AMI radio, AMI cellular, AMI LoRaWan, and standard meter replacements like AMR (Tr. 233-34, 250-253).

Sunshine's parent assembled a team comprised of different subject matter experts across its entire corporate organization to form a project team to determine the proper solution. It was a substantial undertaking, and the selection process was vetted by an internal approval and capital review project team committee before the vendor was selected. (Tr. 214)

OPC Witness Smith, the only witness in this proceeding who is averse to the AMI Meter Installation Project, spoke only equivocally on the subject, testifying that "there is a concern" that the Utility's business case (reflecting the Utility's early analysis of the project) is "no longer applicable" (Tr. 397), apparently because costs have gone up in the last five years. Mr. Smith also opined that "in my experience" - which his testimony does not describe other than his lack of operational and even accounting experience, particularly with regard to Florida utilities - "most water utilities have used AMR meters as a replacement for older meters" (Tr. 397). Smith did not attempt to quantify what he meant by "most", and he gave no specific examples or references to support his statement, nor did he testify as to what his record experience was in that regard. Finally, Mr. Smith's apparent supposition that the Utility never considered AMR is not only conclusory and self-serving, but also incorrect and contrary to the evidence. See, e.g. Tr. 233- 34 and 558-559.

The AMI infrastructure is a proven technology which will benefit customers and the Utility going forward

There are over 4,000 systems that have installed Neptune AMI across the U.S. In Florida alone, Neptune AMI meters are installed and operating at utilities owned or operated by Hillsborough County, Zephyrhills, North Port, Winter Harbor, Arcadia, Babcock Ranch, Cape

Coral, Florida Keys, Palm Bay, South Martin, Margate, Clermont, Deltona, St. Augustine, The Villages, Apopka, Tallahassee, and JEA (Tr. 234-35).

Sunshine made a prudent decision, with input and expertise from its parent company, to go forward with the technology the Utility determined was best for its customers and, by extension, the Utility.

Mr. Twomey testified extensively on the benefits of AMI, which included a detailed and expansive exhibit of the pros and cons of the technology (Tr. 560), and he relayed several examples of its benefits, while noting an AMR implementation would provide few notable benefits over the current manual read meters, especially in comparison to implementation of AMI (Tr. 559). Sunshine employs tiered rates, just like most electric utilities, which increase in price with higher consumption. With AMI, a customer can see during the month where their usage stands to take steps to avoid going into the next tier. Even OPC Witness Smith admitted as much (Tr. 428). If a customer goes from the second tier to the third tier, current rates for the third tier are approximately \$2 per thousand gallons higher. Mr. Twomey testified that customers want to know and need to know that information. As a customer himself of Sunshine, Mr. Twomey happens to have an AMI meter recently installed. In preparation for rolling out the leak alerts, he went on-line to check his own account. Sure enough, he had a leak. It was a minor leak, but it had leaked 24/7. That is not information he would otherwise have had without an AMI meter. Mr. Twomey testified that Sunshine is not “ahead of the curve” by deploying this technology. Rather, Sunshine needed to implement the AMI project because the customers need it and can save money based on this technology (Tr. 235-36). Mr. Smith, when asked if such intra-month data would be beneficial, agreed that he thought it could be valuable for the customer to have information knowing when they are approaching a higher tier (Tr. 432).

When parent company Corix was negotiating this contract with Neptune, it was able to negotiate a purchase price that was lower than usual because of the nature of a broad Master Services Agreement. That was part of the company’s strategy, to standardize the meters across the organization and, in turn, drive a better bargain on meter purchasing. (Tr. 230)

OPC’s evidence on the point, minimal as it was, doesn’t take issue with the fact that the project is needed, nor that it was thoroughly analyzed and addressed by the Utility, nor that its implementation will benefit the customers. Rather, it focuses on the cost of this replacement infrastructure and offers, in a most conclusory fashion and without supporting evidence, that there must have been a cheaper alternative with similar benefits. Mr. Smith did no comparative analysis of AMI to any other system or technology, either in its ability to deliver beneficial services to the customer, nor as to the effect of any such ostensible alternative on customer rates (Tr. 427-428).

Mr. Smith additionally took issue with a perceived lack of benefits included in the rate case application to match the implementation of the AMI platform (Tr. 401). However, this was directly addressed by Mr. Twomey in rebuttal, as it was described that, without the AMI project enabling a redeployment of meter readers to other critical operations tasks, Sunshine would have needed to add to its headcount to manage its systems and mitigate risk of service issues, thus increasing its

revenue requirement request in this rate case (Tr. 561-62). These avoided cost savings are therefore represented in the revenue requirement by maintaining a consistent headcount.

Notably, OPC witness Smith seemed to be opposed categorically to AMI meters, rather than even attempting to make a case for why the installation of AMI meters (or the installation of AMR meter as an alternative) was appropriate or inappropriate for this particular utility at this particular time. Rather, Mr. Smith's testimony was little more than an expansion of two central themes: 1) that the meter project could have been undertaken at some unspecified and undetermined later date, and 2) that there may have been a cheaper alternative. Even these two central themes were posited by Mr. Smith without any analysis, quantification, and requisite experience.

Exhibit 49, updated shortly before the hearing on this matter, is a voluminous document in which Sunshine sets forth its process, its selection methods, invoices, contracts, purchase orders, bids, technical specifications, and the pros and cons it considered before deciding to move forward with the AMI project. Exhibit 49 outlines the project as:

(A) plan to modernize the metering system across seven counties by implementing the Automated Metering Infrastructure (AMI) technology provided by Neptune Technology Group. This initiative will replace approximately 37,000 meters that are beyond their useful life with an advanced automated meter reading solution. Sunshine Water Services will use the breadth of Neptune technologies to ensure a reliable and efficient meter-to-bill process. Additionally, the project is committed to improving customer interaction by offering daily insights into consumption and usage data via a dedicated customer portal. This enhancement will not only lead to better resource management but also empower customers with the information to manage their water usage effectively. The project is a step toward technological advancement in utility management and customer service excellence. Ex. 49, p.1.

The AMI project is an important decision for the customers and the Utility, and Exhibit 49 reflects, in detail and with complete transparency, the thorough process that Sunshine employed and the information that its analysis considered in making that decision. Certainly, the information reflected in Exhibit 49 stands in marked contrast to the lack of analysis and lack of process, thorough or otherwise, employed by the only witness in this proceeding who attempted to provide testimony that was averse to the AMI project, Mr. Smith.

The AMI project will be completed by December 2025

That the AMI project will be completed by December 2025 is supported by clear and unequivocal evidence. Mr. Twomey testified that Sunshine currently had 20 meter installers "on the ground" at the time of the technical hearing who were installing meters. Most counties have the antennas installed, and Lake County is the last county to install the antennas, and that will start on March 10th. Sunshine will continue to install these meters and expects to be completed in October 2025, only one month later than indicated in Mr. Twomey's direct testimony, with the slight delay attributable to the 2024 hurricanes (Tr.232-33). Mr. Twomey also confirmed the Utility has shored up its capital project delivery team to ensure projects are managed appropriately

and delivered timely (Tr. 554). Mr. Twomey added that, for meters installed thus far, the Utility has not experienced significant increase in call volume or disruption in billing processes due to AMI installations (Tr. 573).

Mr. Smith's testimony on the completion date for the AMI project was unsupported by any credible analysis or investigation. Mr. Smith testified that "there are doubts" the project will be "fully" completed by December 31, 2025 (Tr. 400). On cross-examination, he further modified his prognostication about the completion date of the project, scant as it was, by stating the AMI meters "may be (installed) by the end of 2025 - that's still a bit doubtful" (Tr. 434). Mr. Smith's only attempt to support his conclusion was a few lines in his testimony which acknowledged that, while Sunshine did have experience installing such meters, he thought the experience was somehow inadequate and by noting that the project had already suffered "delays", a conclusion he reached by looking at estimated in-service dates made previously by the Utility (Tr. 400).

In stark contrast with the unsupported opinion of Mr. Smith, Mr. Toomey testified about the status of the project and stated that at the current pace the Utility would meet the schedule and complete all work before December 31, 2025 (Tr. 569). Mr. Toomey also pointed out that the experience available to the Utility in the installation of the AMI project was more than had been acknowledged by Mr. Smith, that a sister company in Florida had installed approximately 750 AMI meters as recently as 2024, and that if there were any concerns about meeting the schedule, should the need arise, Sunshine could additionally engage the meter installation company used in that 2024 project (Tr. 569). Mr. Toomey further noted that the Utility had engaged Black & Veatch to assist in the permitting required for the project, that the engagement had proven to be successful, and that all required permits were expected to be imminently in-hand (Tr. 568). In fact, in cross-examination Mr. Toomey testified that the project completion date was currently October 2025 (Tr. 578).

Mr. Toomey's testimony regarding the anticipated completion date of the project was clear and unequivocal. That testimony stands in contrast to Mr. Smith's testimony that he had "some doubt" that the project could be delivered on time. Even that equivocal opinion by Mr. Smith was unsupported by any actual evidence or analysis.

The Commission's prior consideration of AMI meter projects

This Commission has considered three requests for the installation of AMI meters, and in each instance approved of the conversion from conventional meters while recognizing the benefits of AMI meters. Incidentally, OPC was involved in the latter two proceedings and did not object to the installation of AMI meters, nor make any argument that AMR meters should have been considered. OPC Witness Smith admitted that he could not find any decision of this Commission denying recovery for the installation of AMI water meters (Tr. 439).

In Order No. PSC-2022-0435-PAA-WU, issued December 22, 2022, in Docket No. PSC-20220026-WU, (*In re: Application for staff-assisted rate case in Marion County, and request for interim rate increase, by Leighton Estates Utilities, LLC*), the Commission noted, without challenge or question, that Leighton Estates requested to transition all of its existing standard 5/8 x 3/4" meters to Advanced Meter Infrastructure (AMI) meters. The Commission accepted, without challenge or

concern, Leighton Estates' indication that "switching to AMI meters would allow the Utility to electronically obtain meter readings, provide real-time data accessibility, reduce customer service-related calls and associated work order trips and that customers would gain the ability to monitor water usage, set leak detection alarms, and receive utility communications through a system Application, which would benefit customers". After review of the information provided by the utility, Commission found that "(w)e recognize that upgrading the meters to AMI will benefit Leighton's customers. We recognize that the ability to monitor for leakage, water theft, and pay bills online is a benefit to the customers. Therefore, we find the proposed AMI meter program is warranted."

In Order No. PSC-2024-0100-PAA-WU, issued April 17, 2024, in Docket No. 20230071-WU, (*In re: Application for staff-assisted rate case in Polk County by Pinecrest Utilities, LLC.*), the Commission found that Pinecrest explained that its meter replacement/retrofit project was the same as the meter replacement program approved for Leighton Estates Utilities in its last rate case. The Commission accepted Pinecrest's representation that it would be transitioning its residential meters to Advanced Meter Infrastructure (AMI) meters and found that Pinecrest had asserted that "AMI meters will allow the Utility to electronically obtain meter readings, provide real-time data accessibility, and reduce customer service-related calls and associated work order trips."

In Order No. PSC-2018-0311-PAA-WS, issued June 13, 2018, in Docket No. 20170166-WS, (*In re: Application for limited proceeding rate increase in Orange County by Pluris Wedgfield, Inc.*), the Commission similarly found the AMI project proposed by this Class B utility was reasonable.

In this case, Sunshine provided significantly more information about the benefits of the AMI meter program than is reflected in the orders above, and engaged in a due diligence effort before selecting the AMI meter program as the best way to go forward (as described in detail in the evidence in this case) that is certainly unmatched by any other water applicant making such a request to the Commission. Consistent with this approach, in view of the AMI meter program as reflected in these three orders, the Commission should improve the AMI meter program in this case is beneficial to the customers and to the Utility.

ISSUE 5: What are the appropriate plant retirements to be made in this docket?

POSITION * Water - \$2,317,753; Wastewater - \$1,964,052 *

ARGUMENT - This is a fallout from the determinations of Issues 4 and 4A. (Ex. 46, P. D3-32; Ex. 79).

ISSUE 6: **Do any water systems have excessive unaccounted for water and, if so, what systems and what adjustments are necessary, if any?**

STIPULATION - Type 2 Stipulation: *Yes, as follows: Lake Placid, 9.3%; LUSI (Four Lakes), 11.2%; Golden Hills, 0.9%; Labrador, 3.3%; Summertree, 4.5%; Orangewood, 8.7%; Bear Lake, 5.3%; Little Wekiva, 1.4%. Adjustments should be made to purchased power, chemicals and purchased water as appropriate*

ISSUE 7: **Do any wastewater systems have excessive infiltration and/or inflow and, if so, what systems and what adjustments are necessary, if any?**

STIPULATION - Type 2 Stipulation: * Yes, as follows: Ravenna Park, 41.27%. Adjustments should be made to purchased power, chemicals and purchased wastewater as appropriate *

ISSUE 8: **What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?**

STIPULATION - Type 2 Stipulation: *All water treatment and related facilities are 100% used and useful*

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

STIPULATION - Type 2 Stipulation: *All water storage and related facilities are 100% used and useful*

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

STIPULATION - Type 2 Stipulation: *All water distribution and related facilities are 100% used and useful *

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

STIPULATION - Type 2 Stipulation: * All wastewater treatment and related facilities are 100% used and useful except as follows: Crownwood, 74.78%. In Sandalhaven, the used and useful percentage of purchased capacity should be 42.24%, the force main, master lift station structure, and the pumping equipment should be 100%*

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

STIPULATION - Type 2 Stipulation: *All collection lines are 100% used and useful*

ISSUE 13: Should any adjustments be made to test year accumulated depreciation?

POSITION * Yes. Water - \$(10,321,881); Wastewater - \$8,977,332 *

ARGUMENT - The Test Year adjustments reflect allocations of common plant and a correction of over-amortization on the Test Year books. (Ex. 10, P. C4-402) In addition to the Test Year adjustments, the following proforma adjustments are made: Water - \$187,796; Wastewater - \$330,459 to annualize depreciation on assets added during the test year (Ex. 10, P. C4-402, 403) plus Water - \$1,941,605; Wastewater \$640,589 for accumulated depreciation on proforma plant additions (Ex. 10, P. C4-403), and Water - \$(2,317,753); Wastewater \$(1,964,052) for proforma plant retirements (Ex. 10, P. C4-404). Utility Witness Swain described in rebuttal testimony that a pro-forma adjustment to annualized Depreciation Expense, with an offsetting adjustment to Accumulated Depreciation – which reduces rate base – is needed to account for the known and measurable changes from Test Year activity. OPC Witness Smith claims that the proforma adjustment creates a mismatch but does not explain nor provide support as to how a mismatch is created (Tr. 415). Furthermore, this adjustment is on a pro-forma basis and does not override the Commission Rule of a 13-month average for the Test Year, but instead is a long and consistently accepted adjustment to Test Year balances. (Tr. 504). It has been this Commission’s policy for over two decades to make no averaging regarding pro forma plant since “making this adjustment would unfairly penalize the utility”. Order No. PSC-2003-0699-PAA-SU

The longstanding Commission practice for water and wastewater utilities has been to exclude a net negative salvage portion of certain depreciation rates. The exclusion of salvage components has been consistently applied by the Commission, and, should a change in practice or interpretation be determined in this case, the change would amount to a change in accounting and should only be applied prospectively. (Tr. 76) Staff Witness Mouring agreed that the Utility’s characterization of the history of omitting the salvage portion of the depreciation rates was accurate (Tr. 334, 360). In fact, Mr. Mouring stated that, other than the Pluris Order, “I am not familiar with an instance where the Commission has approved depreciation rates that have a net salvage value included, or reflected” (Tr. 361). He clarified that statement saying that had reviewed a “bunch” of Commission Orders where salvage value was mentioned in the rule, but no adjustment was made other than two from the 1990’s and the Pluris Order (Tr. 362).

ISSUE 14: Should any adjustments be made to test year CIAC balances?

POSITION *Yes. Test Year: Water - \$(10,050); Wastewater – \$(9,345) for audit adjustments to the test year CIAC *

ARGUMENT -The Staff Audit Finding #4 addressed planning and inspection fees for developer projects, and recommended the fees be treated as CIAC as opposed to Miscellaneous Revenue (Ex. 45, P. 2194). The Utility agrees, and Utility Witness DeStefano’s rebuttal testimony describes the reflection of the full Test Year activity as an addition to CIAC – reducing rate base – and an offsetting removal from Miscellaneous Revenues in MFR Schedule E-5. (Tr. 552) In addition to the Test Year adjustments, the following proforma adjustments are made: Proforma: Water - \$(267,850); Wastewater - \$(270,445) for retirements of CIAC associated with proforma plant retirements.

ISSUE 15: Should any adjustments be made to test year accumulated amortization of CIAC?

POSITION * Yes. Water – \$(5,360); Wastewater – \$(2,845,039) *

ARGUMENT –The Test Year adjustments to Accumulated Amortization of CIAC reflect a correction to Test Year balances due to over amortization of fully amortized amounts. In addition to the Test Year adjustments, the following proforma adjustments are made: Water \$(267,850); Wastewater - \$(270,445) associated with CIAC retired due to proforma plant retirements.

ISSUE 16: What is the appropriate working capital allowance?

POSITION * Water - \$2,069,513; Wastewater - \$2,930,182 *

ARGUMENT - These amounts are a fallout from determinations of other issues. The Utility’s position reflects: Test Year balance sheet values – Water - \$1,746,445; Wastewater - \$2,618,196; plus, Water - \$(6,017); Wastewater \$6,017 for Staff Audit Finding #3 to correct the Accrued Revenues, plus, Water \$329,085; Wastewater \$305,969 to defer and amortize 2022 – 2024 legal expenses. See Issue 27.

ISSUE 17: What is the appropriate rate base for the adjusted December 31, 2023, test year?

POSITION * Water - \$85,564,097; Wastewater - \$104,950,629 *

ARGUMENT – These amounts are a fallout from determinations of other issues.

ISSUE 18: **What is the appropriate amount of accumulated deferred taxes to include in the capital structure?**

POSITION \$5,829,204, plus \$4,969,273 in TCJA-related liability *

ARGUMENT - The test year 13-month average balance for Accumulated Deferred Taxes is appropriate, adjusted for additional depreciation differences due to the proforma projects. The test year balance of \$5,833,302 was reduced by \$10,469 in the MFRs, Schedule D-2 due to depreciation tax timing difference on proforma projects as originally submitted. The proforma adjustment using proforma projects in DDS-3 was revised to (\$4,099), resulting in a revised balance of \$5,829,204 (Ex. 79).

ISSUE 19: **What is the appropriate amount of customer deposits to include in the capital structure?**

STIPULATION – Type 2 Stipulation: *\$319,453 *

ISSUE 20: **What is the appropriate cost rate for short-term debt for the test year?**

STIPULATION - Type 2 Stipulation: *\$8.25%*

ISSUE 21: **What is the appropriate cost rate for long-term debt for the test year?**

STIPULATION - Type 2 Stipulation: *Fixed: 4.92%, Variable: 7.51% *

ISSUE 22: **What is the appropriate return on equity (ROE) for the test year?**

STIPULATION - Type 2 Stipulation: *10.35%*

ISSUE 23: **What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?**

POSITION *7.493%*

ARGUMENT - This value is a fallout from determinations of other issues.

ISSUE 24: What are the appropriate test year revenues?

POSITION * Water - \$22,918,286; Wastewater - \$29,617,000 *

ARGUMENT – The annualized present rate revenues appropriately exclude those revenues related to Used & Useful adjustments - that is, AFPI and guaranteed revenues (Tr. 505). OPC witness Smith agrees that AFPI and guaranteed revenues both allow the Utility to recover the operating expense for non-Used & Useful plant that is not included in rate base (Tr. 460, 463-464). OPC Witness Smith originally recommended that AFPI be included in test year revenues, but subsequently changed his position and agreed that they should not be included (Tr. 463-464; Ex. 41, P. C6-2160). Even though OPC Witness Smith agreed that guaranteed revenues reflect recovery of non-Used & Useful plant, which is not otherwise part of the revenue requirement, he nonetheless would record these revenues above the line as operating revenues (Tr. 460). He would do this in spite of the fact that he acknowledged that guaranteed revenues have been treated below the line in all prior Sunshine rate cases (Tr. 462). He also agrees that for annual reporting of rate of return calculations, the Commission does not include guaranteed revenues (Tr. 464). The annualized present rate revenues also include adjustments related to the applicable miscellaneous service charge revenues to annualize currently approved rates (Tr. 506) as well as remove Test Year revenues that are to be properly classified as CIAC (see Issue #14).

ISSUE 25: What is the appropriate amount of rate case expense?

POSITION *The appropriate amount of rate case expense is \$ 676,030 with 51.8168% allocated to water revenues and 48.1832% allocated to wastewater revenues *

ARGUMENT - The Utility presented its estimated fully litigated rate case expenses in MFR Schedule B-10.

ISSUE 26: Should any adjustment be made to the Utility's proposed pro forma expense?

POSITION * Yes, with a repression adjustment made to wastewater rates, an adjustment to wastewater expenses totaling \$(35,770) for purchased wastewater, sludge disposal, purchased power and chemical expenses should be made. *

ARGUMENT - Pro-forma expenses should be allowed for the items reflected in MFR Schedule B-3, including:

- The costs related to electronic payment processing fees, which are currently borne by the 40.7% of the Utility customers at the point of payment. As demonstrated in the testimony of Utility Witness DeStefano, the Utility has seen an increase since its last Test Year in customer use of the payment methods that trigger fees. The Utility believes this reflects an increased need - not merely discretionary selection - for these payment methods despite the direct disincentive to use them. The Utility demonstrated that these payment methods constitute the primary option for customers, and treatment of these costs consistent with payment options whose costs are already borne by the Utility and included in the total

revenue requirement would be fair, and reasonable. OPC witness Smith acknowledged that the cost to the Utility of processing a payment made by check is included in the Utility's overall revenue requirement (Tr. 446). In a showing of inconsistency, OPC witness Smith agrees that the cost causer should pay costs associated with various payment methods (Tr. 405), but then would require that all customers pay the added expense of the Utility processing checks. The Utility's proposed treatment is also consistent with other billing and noticing costs that are recovered across all customers. (Tr. 530, 531).

- Salary and benefits expenses to reflect the estimated proforma cost – Issue 17
- Insurance expense to reflect the estimated proforma cost –Issue 27
- Legal expenses to defer and amortize expenses incurred from 2022 – 2024 – Issue 27
- Repression adjustments for both water and wastewater. The water repression is proposed at 2% for every 10% of revenue increase, which is consistent with prior Commission cases. This adjustment results in a decrease to certain expense categories (Tr. 60-61) However, should the Commission deem the 4% repression is its common practices versus 2%, the Utility would accept such adjustment (Ex. 65, P. 531-532) The Utility also proposes a similar repression adjustment of 2% for every 10% increase in revenue for wastewater, consistent with prior Commission cases (see, for example, Order No. PSC-2017-0361-FOF-WS, which has the effect of decreasing certain expense categories (Tr. 507-508).

ISSUE 27: Should any further adjustments be made to the Utility's proposed management expenses?

POSITION *No*

ARGUMENT - Sunshine has supported the reasonableness of its corporate support expenses and proposed a deferral mechanism to capture the benefits and costs to achieve such benefits that may arise outside of the Test Year's activity (see Issue #42).

OPC witness Smith proposes to allow only 50% of the parent company's D&O Insurance cost in the revenue requirement (Tr. 407-408). As incredulous as it sounds, he would do so even though he has no idea of who or what that insurance covers (Tr. 451). In fact, he cannot point to a single person or action that the D&O insurance policy covers (Tr. 451). He further admitted that he would probably not take a position on a Board of a major corporation without having D&O insurance coverage, and would need to consider compensation to account for the risks (Tr. 452). Simply put, in order for a major company such as Sunshine's parent to obtain and retain qualified individuals for leadership positions, D&O insurance is essential, and thus is a benefit to customers.

OPC witness Smith also proposes removing certain legal fees incurred in defending certain litigation involving Sunshine or its parent. First, he recommends amortizing the legal fees in connection with the Wekiva legal proceeding over five years in accordance with Rule 25-30.433(9), F.A.C. (Tr. 411-412). Although legal fees are ongoing expense of any business, due to the unique nature of that proceeding it may be appropriate to amortize those legal fees over five years (Tr. 527). However, he failed to consider the legal expenses incurred before or after the test year, which should be included in the deferred balance and added to the amortized cost in the test

year. (Tr. 538-539). However, that would not be the case with regard to the other legal fees as suggested by OPC witness Smith (Tr. 412-413). He made the recommendation removing legal expenses in the Test Year even though he has no personal idea as to whether legal fees would be recoverable in a personal injury case (Tr.454). He apparently obtained the information from OPC's attorneys, none of which have experience in personal injury litigation (Tr. 455). He finally admitted that he cannot say that those attorney's fees will be recoverable (Tr.456).

OPC witness Smith also recommends an adjustment to remove \$16,056 from operating expenses under the premise that the employee's job title included the term "Legislative Affairs" (Tr. 414) He limits the definition of lobbying to "an attempt to influence legislation or government action" (Tr. 457) and agreed that activity that is done in support of lobbying or to keep informed about what is going on with legislation is not lobbying (Tr. 457). Since the full job title at issue is "Rates, Regulatory and Legislative Affairs" and since "Legislative Affairs" is one of three job titles, he arbitrarily reduces that salary by one-third (Tr. 414, 458). He made no attempt to determine the details of actual time, if any, that was spent on lobbying (Tr. 458). He would even recommend removing lobbying costs when the lobbying was for the benefit of customers (Tr. 459). The Utility has already removed the lobbying costs of the Gunster firm from its application (Tr. 293).

ISSUE 28: Should any further adjustments be made to the Utility's test year O&M expenses?

POSITION *Yes. Water - (\$100,047) plus \$43,442 audit adjustments and (\$289,946) for portion of OPC adjustments accepted and \$6,993 for repression due to Sunshine's reduction to the water rate increase requested; Wastewater - (\$140,229) plus \$42,383 audit adjustments and (\$299,458) for portion of OPC adjustments accepted by Sunshine*

ARGUMENT - Test Year expenses should be adjusted for the items reflected in MFR Schedule B-3. See Issue #26. There are various adjustments to the Utility's Test Year activity due to review of Staff Audit Finding #9 (Tr. 532, 534-535), and for a portion of OPC's adjustment associated with the deferral and amortization of legal expenses, including costs incurred before and after the test year..

ISSUE 29: Should any adjustments be made to test year taxes other than income?

POSITION * Yes. Water - \$3,600; Wastewater - \$43,155 *

ARGUMENT - Test Year taxes other than income should be adjusted for annualized revenues reflected in MFR Schedule B-3. Pro-forma taxes other than income should be adjusted by Water - \$587,526; Wastewater - \$506,381, as reflected in MFR Schedule B-3 for changes in payroll taxes on proforma salary expense, property taxes on proforma projects and adjustment to Non Used and Useful, and RAFs on the additional revenues requested..

ISSUE 30: Should any adjustments be made to test year depreciation expense?

POSITION * Yes. Water - \$(46,704); Wastewater - \$(317,297) for test year corrections and non-used and useful plant, plus 16,229 for audit adjustments. *

ARGUMENT – Test Year Depreciation Expense should be adjusted for the items reflected in MFR Schedule B-3, including:

- Utility adjustments recognized in response to Staff Audit Finding #6, correcting various depreciation rates applied to certain assets in the Test Year. (Tr. 532-534).
- Exclusion of salvage components to depreciation rates for certain accounts, consistent with Commission practice (see Issue #13).

In addition to the Test Year adjustments, the following proforma adjustments are made: Water - \$187,796 for annualization of depreciation on assets added during the test year (see Issue #13), and \$1,853,987 for proforma plant additions net of retirements; Wastewater - \$330,459 for annualization of depreciation on assets added during the test year (see Issue 13), \$578,657 for proforma plant additions net of retirements, and \$8,015 for amortization on the retirement of CIAC.

ISSUE 31: Should any adjustments be made to test year amortization of CIAC expense?

POSITION * Yes. Water - \$1,134; Wastewater - \$350,917 for correction of over-amortization of CIAC and (\$19,406) for non-used and useful CIAC.*

ARGUMENT – The proposed adjustments are consistent with those of prior Sunshine cases (Ex. 10, P. C4-439).

ISSUE 32: What is the appropriate amount of test year income taxes?

POSITION * Test Year Water - \$193,522; Wastewater - \$616,464; Proforma Test Year – Water - \$1,295,652, Wastewater - \$1,749,929 *

ARGUMENT – Pending the resolution of other issues, the income taxes will depend upon the specific level of revenues authorized by the Commission. A correction to the calculation of income taxes due to the omission of certain interest expenses in the calculation in the MFRs was corrected (Tr. 504-505; Nex. 46, P. D3-43-48).

ISSUE 33: **What is the appropriate revenue requirement for the adjusted December 31, 2023 test year?**

POSITION *Annual water operating revenues in the amount of \$28,013,305 and annual wastewater operating revenues in the amount of \$34,299,872. However, Sunshine proposes the water rate increase be limited so that it does not result in more than a 19.9% increase *

ARGUMENT - This is a fallout from the determinations of all other Issues.

ISSUE 34: **What are the appropriate rate structures and rates for the water systems?**

POSITION * The current water rates should be increased by the percentage increase in water revenues, adjusted for repression in a manner consistent with Commission practice.*

ARGUMENT – A repression adjustment is necessary to recognize that a reduction in consumption as a result of an increase in rates is expected, and a repression adjustment is needed for the utility to achieve its revenue requirement. The 2 percent used may be revised to 4 percent since 4 percent is more reflective of current Commission practice. (Ex. 65, P. 531-532) Should the Commission implement water rate repression in a manner consistent with Commission practice, it should apply a repression rate of 4% for both water and wastewater to be fully compliant with Commission practice.

ISSUE 35: **What are the appropriate private fire protection charges?**

STIPULATION - Type 1 Stipulation: * The fire protection rate should be established pursuant to Rule 25-30.465, F.A.C.*

ISSUE 36: **What are the appropriate rate structures and rates for the wastewater systems?**

POSITION * The current wastewater rates should be increased by the percentage increase in wastewater revenues, adjusted for repression.*

ARGUMENT - A repression adjustment is necessary to recognize that a reduction in consumption as a result of an increase in rates is expected, and a repression adjustment is needed for the utility to achieve its revenue requirement. The 2 percent used may be revised to 4 percent since 4 percent is more reflective of historical Commission practice (Tr. 507-508). Also see, Order No. PSC-2017-0361-FOF-WS at p. 202 where Staff witness Daniel testified: “that over the past ten years we estimated that the rate by which residential customers will reduce their water consumption in response to an increase in price, elasticity of demand, is four percent of discretionary usage for every ten percent increase in price”. Should the Commission implement wastewater rate repression

in a manner consistent with Commission practice, it should apply a repression rate of 4% for both water and wastewater to be fully compliant with Commission practice. The application of repression to wastewater rates is appropriate. See Order No. PSC-2017-0361-FOF-WS where the Commission stated:

In addition, based on the expected reduction in water demand, we find that a repression adjustment shall also be made for wastewater. Because wastewater rates are calculated based on customers' water demand, if those customers' water demand is expected to decline, then the billing determinants used to calculate wastewater rates shall also be adjusted. at p. 206-207

ISSUE 37: What are the appropriate reuse rates?

POSITION * The current reuse rates should be increased by the percentage increase in wastewater revenues *

ARGUMENT – The reuse rates should be increased consistent with other rate adjustments within the wastewater revenue requirement. No revenue requirement adjustment should be made to reuse revenues to implement a rate design change, as proposed by OPC Witness Smith. Should the Commission authorize a recalibration of reuse rates with respect to other wastewater and to water rates, such adjustment to reuse rates should be offset by a wastewater rates adjustment with fully offsetting revenue requirement impact. This Issue, along with Issues #34-36, address rate design and not revenue requirement, and rate design proposals are inherently offsetting for revenue requirement purposes. During the technical hearing, OPC Witness Smith agreed that the reuse rate recalibration he proposed in direct testimony amounted to a rate design change (Tr. 473).

ISSUE 38: What are the appropriate customer deposits?

STIPULATION - Type 1 Stipulation: * The amount of customer deposits should be established pursuant to Rule 25-30.311, F.A.C.*

ISSUE 39: What are the appropriate miscellaneous service charges?

POSITION * The miscellaneous service charges should remain unchanged. *

ARGUMENT – Sunshine has proposed no changes to miscellaneous service charges from those currently approved.

ISSUE 40: What are the appropriate guaranteed revenue charges?

POSITION *The guaranteed revenue charges should remain unchanged*

ARGUMENT - Sunshine has proposed no changes to guaranteed revenue charges from those currently approved.

ISSUE 41: What are the appropriate meter installation charges?

POSITION * Meter installation charges shall be updated for 5/8" x 3/4" meters to \$591.83 and to reflect actual costs for other meters.*

ISSUE 41A: Are the resulting rates affordable within the meaning of fair, just, and reasonable pursuant to Sections 367.081 and 367.121 Florida Statutes?

POSITION *Since there is no objective standard of affordability, Sunshine is unable to take a substantive position. However, Sunshine does provide affordable service as this standard has been interpreted by the Commission in prior Orders.*

ARGUMENT - Affordability is not mentioned anywhere in Chapter 367, Florida Statutes. Under OPC's theory, the statutory requirement in Section 367.081(2)(a)1, Florida Statutes for the Commission to consider "the cost of providing the service, which shall include, but not be limited to, debt interest; the requirements of the utility for working capital; maintenance, depreciation, tax, and operating expenses incurred in the operation of all property used and useful in the public service; and a fair return on the investment of the utility in property used and useful in the public service" would be meaningless if an arbitrary or overriding affordability criteria is created.

As this Commission stated in Order No. PSC-2009-0411-FOF-GU:

The statutory principles for determining the appropriate rate of return for a regulated utility were set forth by the U.S. Supreme Court in Federal Power Commission v. Hope Natural Gas Company, 320 U.S. 591 (1944) and Bluefield Waterworks & Improvement Company v. Public Service Commission of West Virginia, 262 U.S. 679 (1923). These decisions define the fair and reasonable standards for determining rate of return for regulated enterprises. Namely, these decisions hold that the authorized return for a public utility should be commensurate with returns on investments in other companies of comparable risk, sufficient to maintain the financial integrity of the company, and sufficient to maintain its ability to attract capital under reasonable terms.

The Commission has previously addressed the concept of affordability in a water and wastewater rate case only in the context of considering consolidated rates. In Order No. PSC-2009-0385-FOF-WS, the Commission found that:

We believe that affordability is subjective in nature - what constitutes affordability to one person may represent unaffordability to another person (P. 124).

Implicit in the rates approved by the Commission in all cases is the determination that the resulting bills are affordable (P. 126).

Certainly, the Commission was correct when it stated that "... affordability is subjective in nature." The subjectivity of any such determination is exacerbated in a situation like the instant proceeding, where SWS' approximately 34,000 water and 30,000 wastewater customers throughout the state are certainly of varying economic means. Even customers who live in close proximity to one another have varying financial means. There is no testimony or other evidence in this case on any concept of affordability, and the term is not used in any prefiled testimony, nor was any elicited at the final hearing.

This Commission has traditionally addressed how rate increases impact customers of lower economic means in the development of the rate structure, by considering in the least expensive consumption tier that amount of water that is determined to be essential. There has likewise been no testimony regarding affordability in rate design by any witness in this case.

ISSUE 42: Should the Utility's request to establish deferral accounts related to the Corix Infrastructure Inc. and SW Merger Acquisition Corp. merger be approved?

POSITION *Yes.*

ARGUMENT - On April 1, 2024, Sunshine's parent closed on a merger with the parent of Southwest Water Company. As the result of the merger, in the future there will be an integration of administrative and general functions that support water and wastewater operations (Tr.37-38). As of this time, Sunshine is unable to identify the complete financial impacts of the merger transaction costs and benefits (Tr. 44). Due to the closing occurring after the test year, the test year expenses do not reflect merger savings, except that of the COO position which became vacant during the test year and was not filled in anticipation of the merger (Tr. 46). Additionally, while OPC Witness Smith's position is that there should be a matching of costs and benefits for pro-forma items (Tr. 401), he proposes to only include certain savings from the merger without adequate consideration of costs to achieve savings (Tr. 415). Most importantly, the proposed deferrals are designed to protect customers and ensure the proper amount of net benefits flow to the Utility's customers (Tr. 489). Should the Utility generate savings between rate case filings, Witness Smith agrees that without a deferral, the savings would benefit the Utility and not flow to customers (Tr. 465).

OPC witness Smith ultimately validated the establishment of deferral accounts in this situation. "I think that's one way of dealing with it, I'm not saying that that's totally unfair." He admitted that setting up deferral accounts is an alternative, but he just prefers not to do so (Tr. 467).

ISSUE 43: **What is the appropriate amount by which rates should be reduced after the established effective date to reflect the removal of the amortized rate case expense?**

POSITION *\$169,008, with 51.8168% allocated to water revenues and 48.1832% allocated to wastewater revenues.*

ARGUMENT - Pursuant to Section 367.081 (8), F. S., rate case expense is recovered over four years unless a longer period is justified and is in the public interest. There was no evidence presented to warrant a variance of the four-year amortization period; thus, based upon the total rate case expense in Issue #25, Sunshine's rates should be reduced after four years to reflect an annual decrease in revenues of \$169,008.

ISSUE 44: **Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?**

POSITION *Yes*

ARGUMENT - Consistent with Commission policy, Sunshine should make the Commission approved adjustments and advise the Commission accordingly within 90 days of the Final Order being effective.

ISSUE 45: **Should this docket be closed?**

POSITION *Yes, after confirmation that adjustments have been made*

ARGUMENT - Consistent with Commission policy, once the refunds, if any, have been made, the final rate case expense schedule pursuant to Rule 25-30.436(6), F.A.C. has been filed, and the Commission Ordered Adjustments have been confirmed to have been made, this Docket should be closed.

Respectfully submitted this 14th day March, 2025, by:

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by

Electronic mail to the following parties this 14th day of March, 2025:

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