

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 22, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Office of the General Counsel (Sandy, Farooqi) *JSC*
Division of Accounting and Finance (Cicchetti, Norris) *MC*
Office of Auditing and Performance Analysis (Mouring) *CM*
Division of Economics (Bruce, Hudson) *ED*
Division of Engineering (King) *TB*

RE: Docket No. 20240068-WS – 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.

AGENDA: 09/04/25 – Regular Agenda – Motion for Reconsideration – Oral Argument is requested; participation is at the discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Sunshine Water Services Company (Sunshine or Utility) is a Class A utility providing water and wastewater services to approximately 35,171 water and 29,547 wastewater customers in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties.

On June 28, 2024, Sunshine filed its application for an increase to its water and wastewater rates based on the historical 13-month average period ended December 31, 2023, and included adjustments for pro forma projects. On April 23, 2024, the Office of Public Counsel (OPC) filed

a petition to intervene.¹ However, OPC subsequently filed a notice withdrawing this petition on May 7, 2024.² On September 19, 2024, OPC filed its second petition to intervene, which was acknowledged by an Order on September 25, 2024.³

A formal evidentiary hearing was held February 11-12, 2025. The parties filed briefs on March 14, 2025. Commission staff filed a post-hearing recommendation in this matter on April 24, 2025. On May 6, 2025, the Commission voted on the Utility's requested rates, granting and denying the utility's request in part. The Commission issued Order No. PSC-2025-0196-FOF-WS (Final Order), memorializing its vote.⁴

On June 23, 2025, OPC timely filed a Motion for Reconsideration (Motion) pursuant to Rule 25-22.060, Florida Administrative Code (F.A.C.), and a Request for Oral Argument on its Motion for Reconsideration, pursuant to Rule 25-22.0022 F.A.C.

On June 30, 2025, Sunshine timely filed its Response in opposition to OPC's Motion for Reconsideration (Response) and OPC's Request for Oral Argument.

This recommendation addresses OPC's Request for Oral Argument and Motion for Reconsideration, and Sunshine's responses thereto. The Commission has jurisdiction over this matter pursuant to Chapter 367, F.S., including Sections 367.081 and 367.121, F.S.

¹Document No. 02277-2024.

²Document No. 02835-2024.

³Document No. 09087-2024 and Order No. PSC-2024-0435-PCO-WS, issued September 25, 2024, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties*, by Sunshine Water Services Company..

⁴Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties*, by Sunshine Water Services Company.

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Discussion of Issues

Issue 1: Should OPC's Request for Oral Argument on its Motion for Reconsideration of Order No. PSC-2025-0196-FOF-WS be granted?

Recommendation: No. Staff believes that the pleadings are sufficient on their face for the Commission to evaluate and rule on the Motion. However, if the Commission wants to exercise its discretion to hear oral argument, staff recommends that 5 minutes per party is sufficient. (Sandy, Farooqi)

Staff Analysis:

Law

Rule 25-22.0022(1), F.A.C., allows a party to request oral argument before the Commission for any dispositive motion (such as motions for reconsideration) by filing a separate written pleading filed concurrently with the motion on which argument is requested, and stating with particularity why oral argument would aid the Commission. Granting or denying oral argument is within the sole discretion of the Commission under Rule 25-22.0022(3), F.A.C.

OPC's Position

In its Request for Oral Argument, OPC requests an opportunity to provide additional details and context concerning the arguments made within the Motion. OPC requests the opportunity to provide 10 minutes of oral argument on the Motion to further elaborate on its arguments and to aid the Commissioners in understanding and evaluating the issues OPC raises as well as answer any questions.

Sunshine's Position

In its response, Sunshine states that the issues raised in OPC's Motion were already extensively presented to the Commission and that nothing would be gained from further oral argument. If Commissioners have any questions, then they have the right to address them to the appropriate party without the necessity of an oral presentation by the parties.

Conclusion

Granting or denying oral argument is within the sole discretion of the Commission. Staff believes that the pleadings are sufficient on their face for the Commission to evaluate and decide OPC's Motion. However, if the Commission wants to exercise its discretion to hear oral argument, staff recommends 5 minutes per party is sufficient.

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Issue 2: Should OPC's Motion for Reconsideration of Order No. PSC-2025-0196-FOF-WS be granted?

Recommendation: Staff recommends that OPC's Motion should be granted in part and denied in part. Staff recommends that two of OPC's proposed adjustments to the revenue requirement should be granted. This will result in a downward calculation of revenue requirement by \$778 and \$880 for the Utility's water and wastewater systems respectively. Staff recommends that OPC has otherwise failed to show where the Commission overlooked or failed to consider a fact or law in rendering its decision. Therefore, in all other respects, OPC's Motion should be denied. (Sandy, Farooqi, Cicchetti, Norris)

Staff Analysis:

Legal Standard

Reconsideration

The appropriate standard of review for reconsideration of a Commission order is whether the Motion identifies a point of fact or law that the Commission overlooked or failed to consider in rendering the order under review. *See Stewart Bonded Warehouse, Inc. v. Bevis*, 294 So. 2d 315 (Fla. 1974); *Diamond Cab Co. v. King*, 146 So. 2d 889 (Fla. 1962); and *Pingree v. Quaintance*, 394 So. 2d 162 (Fla. 1st DCA 1981). It is not appropriate to reargue matters that have already been considered. *Sherwood v. State*, 111 So. 2d 96 (Fla. 3d DCA 1959) (citing *State ex. rel. Jaytex Realty Co. v. Green*, 105 So. 2d 817 (Fla. 1st DCA 1958)). Furthermore, a motion for reconsideration should not be granted "based upon an arbitrary feeling that a mistake may have been made, but should be based upon specific factual matters set forth in the record and susceptible to review." *Stewart Bonded Warehouse, Inc.*, 294 So. 2d at 317.

Due Process

It is well established in Florida law that "[t]he fundamental requirements of due process are satisfied by reasonable notice and a reasonable opportunity to be heard." *Citizens of State v. Fla. Pub. Serv. Comm'n*, 146 So. 3d 1143, 1154 (Fla. 2014) (quoting *Fla. Pub. Serv. Comm'n v. Triple "A" Enter., Inc.*, 387 So. 2d 940, 943 (Fla. 1980)). In administrative hearings where substantial interests of a party are determined by an agency and where there are disputed issues of material fact, an agency must provide parties "an opportunity to respond, to present evidence and argument on all issues involved, to conduct cross-examination and submit rebuttal evidence, to submit proposed findings of facts and orders, to file exceptions to the presiding officer's recommended order, and to be represented by counsel or other qualified representative." Sections 120.569 and 120.57(1)(b), F.S.

Introduction

OPC's Motion asserts three fundamental issues. First, OPC contends that the Commission did not put the parties on notice that adjustments to the utility's financial records and capital structure would be made after the record was closed, which is a violation of OPC's due process. Second, OPC argues that the Commission erred in how it made the adjustments to the utility's

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financial records and capital structure. And, unrelated to the first two issues, OPC contends that the Commission made a minor error in calculating rate base. What follows is an analysis of the issues presented in OPC's Motion and staff's recommended resolution of those issues.

OPC's Motion

According to OPC, the Commission overlooked OPC's statutory and due process rights when it addressed substantive issues or reached legal conclusions that were not previously raised or challenged in the rate case. OPC contends that it was not allowed to object to these deficiencies in staff's recommendation at the post-hearing Agenda Conference because participation was limited to Commissioners and staff. OPC also contends that its due process rights were violated where Commission staff omitted OPC's arguments from the staff recommendation and Final Order.

In particular, OPC argues that no party to the rate case was on notice that the Commission was going to annualize Sunshine's plant-in-service to "comport" with Sunshine's annualization of accumulated depreciation. OPC further argues that it had no notice that the Commission was going to make pro rata adjustments to all sources of capital when calculating Sunshine's weighted average cost of capital. According to OPC, adjustments to annualize Sunshine's plant-in-service and accumulated depreciation was a violation of Rules 25-30.433(5) and 25-30.436, F.A.C. Moreover, OPC argues that the Commission acted inconsistently with prior agency practice by prorating all sources of capital to calculate the weighted average cost of capital, in violation of Section 120.68(7)(e)3., F.S.⁵

Finally, OPC offers what it refers to as errors in calculations of the revenue requirement in the Final Order. If accepted, OPC's adjustments would require a downward calculation of revenue requirement by \$778 and \$880 for the Utility's water and wastewater systems, respectively.

Sunshine's Response

In its Response, Sunshine does not address all of OPC's arguments. However, Sunshine states that in summarizing the Company's MFRs, OPC conflates an annualization of depreciation expense (an expense item in the revenue requirement) with the annualization of accumulated depreciation (a rate base item). Sunshine made an annualization adjustment in its MFRs to depreciation expense, to match the expense adjustments with annualized accumulated depreciation. While the accumulated depreciation adjustment did affect rate base, the depreciation expense adjustment does not, and thus would not be subject to Rule 25-30.433(5), F.A.C. Sunshine states that OPC's Motion is also inconsistent in its framing of the accumulated depreciation annualization adjustment. Sunshine contends that OPC itself identified the lack of a Plant In-Service adjustment as creating a mismatch with depreciation accounting in the test year.

⁵ Section 120.68(7)(e)3., F.S., provides that judicial review may be appropriate where the agency's exercise of discretion has been inconsistent with officially stated agency policy or a prior agency practice, if deviation therefrom is not explained by the agency.

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Sunshine challenges OPC's statement that staff's recommendation "deviated from standard practice by recommending approval of Sunshine's adjustment annualizing depreciation expense and associated accumulated depreciation." According to Sunshine, it is clear that the Commission's pro forma adjustment to accumulated depreciation is consistent with its long-standing interpretation and application of Rule 25-30.433(5), F.A.C.

Analysis

A. Due Process

OPC contends it was not put on notice that the Commission may calculate accumulated depreciation or capital structure as set out in the Final Order, nor was it offered an opportunity to provide sufficient arguments on these issues, because the Commission made adjustments at a post-hearing Agenda Conference once the record was closed.

The Commission has broad discretion to make pro forma adjustments under Section 367.081(2)(a), F.S. It is within the Commission's discretion to make pro forma adjustments and modifications to fix rates it judges to be "just, reasonable, compensatory, and not unfairly discriminatory." Section 367.081(2)(a)1., F.S. OPC's due process argument amounts to a contention that prior to a Commission decision on adjustments, the parties should be specifically notified of every potential adjustment. This is inconsistent with the requirements of law as well as with the realities and complexities of utility ratemaking. In administrative hearings, the Commission is required to provide notice of "all issues involved." Section 120.57(1)(b), F.S. However, the Commission is not required to provide advance notice to the parties of adjustments to depreciation expense and accumulated depreciation expense. The Commission has a broad range of discretion to make adjustments that are reasonable and supported by the record. *See Citizens of State v. Pub. Serv. Comm'n*, 425 So. 2d 534, 540 (Fla. 1982) ("This Court has consistently recognized the broad legislative grant of authority which these statutes confer and the considerable license the Commission enjoys as a result of this delegation."); *Floridians Against Increased Rates, Inc. v. Clark*, 371 So. 3d 905, 910 (Fla. 2023) (The Court has repeatedly recognized the "broad legislative grant of authority" afforded to the Commission and the "considerable license" it enjoys in fixing fair, just, and reasonable rates.).

Staff believes that the record supports the adjustments as well as the numerous opportunities OPC had to meaningfully participate in this rate case. In September 2024, OPC intervened for the second time in this rate case after withdrawing its first intervention in May of 2024. Between September 2024 and February 11-12, 2025, when the evidentiary hearing was conducted, OPC issued interrogatories, requests for production, and conducted multiple depositions of Sunshine witnesses and staff witness Curt Mouring.⁶ OPC also retained its own expert witness, Ralph Smith, who provided testimony specifically referencing a mismatch between Sunshine's test-

⁶ OPC was a party to at least 120 Interrogatories, 72 Requests for Production, and 11 Depositions in the instant case. In its motion, OPC acknowledges the Commission's past practice of annualizing accumulated depreciation even if it does not support the same methodology in this rate case. Presumably, past rate cases such as these informed OPC's discovery in the instant case.

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year plant-in-service and depreciation expense calculations.⁷ Witness Smith also offered his own proposed capital structure and cost rate calculations to correspond with his testimony, which indicated an adjustment to these expenses would be reasonable.⁸ Following the Prehearing Conference, the Prehearing Order included issues on plant-in-service, depreciation expense, accumulated depreciation, and capital structure, among other matters, so all parties were on notice as to the major issues in dispute at the hearing.⁹

During the evidentiary hearing in February 2025, OPC cross-examined Sunshine witnesses about plant-in-service, depreciation, and the mismatch between test year plant-in-service and depreciation calculations. (TR 64; 66-67; 78; 513; 515) Following the evidentiary hearing, OPC filed a 52-page post-hearing brief on March 14, 2025. For the issue concerning whether adjustments to accumulated depreciation should be made, OPC devoted several pages of argument contending that “Sunshine’s MFRs were submitted in violation of [R]ule 25-30.433(5), F.A.C.,...by improperly annualizing depreciation expense and associated accumulated depreciation.” (OPC BR 28) Much of this argument is repeated in OPC’s Motion. (OPC BR 28-31; OPC Motion 13-14) In its post-hearing brief, OPC also took the position that the appropriate weighted average cost of capital is reflected in the calculations sponsored in Witness Smith’s testimony and exhibit RCS-2. OPC’s expert witness testimony, exhibits, and post-hearing brief were all considered by the Commissioners prior to their vote in this matter.

Staff recommends that OPC’s Motion should be denied as it relates to advanced notice of Commission calculations/adjustments to depreciation expenses and due process. OPC had an opportunity to argue its positions and offer evidence and testimony regarding accumulated depreciation and weighted average cost of capital calculations. Because OPC had the opportunity to participate and offer argument, testimony, and evidence in the hearing, the Commission did not overlook any due process rights.

OPC’s second due process argument is that the Commission violated OPC’s rights by adopting Commission staff’s recommendation. OPC argued that the staff recommendation was devoid of OPC’s arguments, noting that “for years, [s]taff’s recommendations have included detailed summations of the parties’ actual arguments.” It is correct that staff has in the past included a separate section in post-hearing recommendations summarizing the parties’ arguments from their briefs. However, staff has discontinued doing so because it was unnecessarily repetitious, since the parties’ arguments are appropriately discussed in the body of staff’s recommendation, just as was done in the post-hearing recommendation for this docket. Contrary to OPC’s argument, the

⁷When asked about depreciation expense annualized for pro forma adjustments to utility plant, Smith testified, “...that is only for pro forma additions of utility plant that occur after the end of the test year. For the test year itself, the rate base amount for utility plant and accumulated depreciation are based on a 13-month average, not on year-end amounts. Consequently, annualizing depreciation expense on test year utility plant creates a *mismatch*. For consistency with the test year rate base amounts of utility plant and accumulated depreciation, depreciation on test year plant should be at the 13-month average test year amounts, not on year-end annualized amounts.” (Emphasis added) (TR 416)

⁸See EXH 41 MPN C6-2135, also referenced as Exhibit RCS-2 (Revenue Requirement and Adjustment Schedules for 2023 Test Year).

⁹Prehearing Order No. PSC-2025-0042-PHO-WS, issued February 6, 2025, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company*.

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Final Order *does* provide a “written assessment of the parties’ main disagreements reflected in the record.” Motion at 13. OPC’s argument would require staff to include repetitive arguments leading to a more muddled or potentially confusing recommendation.

Further, OPC contends that by omitting detailed summations of the parties’ arguments, the Commission violated Section 120.68(7)(e)3., F.S., which provides that remand is appropriate when an agency’s exercise of discretion was inconsistent with officially stated agency policy or a prior agency practice, if deviation therefrom is not explained by the agency. Staff does not believe that its decision to omit presenting the same arguments twice in one document, whether in the post-hearing recommendation or the Commission’s Final Order, rises to the level of a violation of “stated agency policy or practice” per the statute. Staff recommends that OPC’s Motion should be denied as to this argument, as it fails to demonstrate a point of fact or law that the Commission overlooked or failed to consider in rendering its order.

B. Capital Structure

In its Motion, OPC argues that the Commission acted inconsistently with its officially stated agency policy or prior agency practice by prorating all sources of capital to calculate the weighted average cost of capital. Specifically, OPC contends that non-investor sources of capital, such as customer deposits, should have been excluded from the calculation because the adjustments had a significant upward impact on Sunshine’s revenue requirement despite no party having an opportunity to present evidence on or dispute them. OPC argues that this is a violation of Section 120.68, F.S., and this decision was contrary to the Commission’s decision in Sunshine’s two prior rates cases, as well as a 2024 PAA decision regarding Pluris Wedgefield.¹⁰

The establishment of a utility’s capital structure provides a means to identify the various sources of capital employed by a utility, together with the amounts and cost rates properly associated with each source of capital. In developing the capital structure, all capital costs are prorated according to their relative proportion to total capital. This percentage proportion is multiplied by the appropriate cost of each source of capital. These weighted components are then added to provide a composite or overall cost of capital. The weighted cost of capital multiplied by the net utility rate base produces an appropriate return on rate base, including a return on equity capital, for a proportion of the utility rate base equal to the proportion of equity in the capital structure. This process also produces returns sufficient to recover the annual cost of other types of capital.¹¹

¹⁰ Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, as amended by Order No. PSC-2017-0361A-FOF-WS issued October 4, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. cf Florida*; Order No. PSC-2021-0206-FOF-WS, filed on June 4, 2021, in Docket No. 20200139-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Utilities, Inc. cf Florida*; Order No. PSC-2024-0118-PAA-WS, issued April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, LLC.*, at p. 48.

¹¹ See Order No. 10306, filed on September 23, 1981, in Docket No. 810002-EU, *In re: Petition cf Florida Power & Light Company for Authority to Increase Its Rates and Charge* at p. 30.

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Reconciliation of rate base and capital structure exists because, while sources of particular funds are readily traceable, uses of particular funds are not. As a utility uses capital to fund its operations, the sources of capital are comingled. Thereafter, it becomes irrelevant whether a dollar spent on operations is an “equity dollar,” “debt dollar,” or a “customer deposit dollar.”

Therefore, as adjustments are made to remove items from the rate base, corresponding adjustments must be made to the capital structure to keep the rate base and capital structure in balance. If a pro rata adjustment (an adjustment to each capital structure component in proportion to its relative weight) is made to the capital structure, there is no change in the required overall rate of return. However, if an adjustment is made to a specific capital structure component, the relative percentages change and the required overall rate of return changes.

OPC is correct that the Commission did not make pro rata adjustments across all sources of capital in the Utility’s last two rate cases or *Pluris*.¹² However, it appears that those departures were a matter of oversight, rather than an intentional change in policy. In contrast, prorating adjustments across all sources of capital has been the Commission’s practice for decades.¹³ Nonetheless, adjustments of this type, regardless of which direction they are made, are within the Commission’s discretion. Nothing in statute precludes the Commission from using its discretion to make reasonable pro rata adjustments to capital structure components that are supported by the record. For these reasons, staff believes that the Commission did not depart from prior practice by prorating all sources of capital to calculate the weighted average cost of capital in this rate case.

C. Annualizing Plant-In-Service and Accumulated Depreciation

OPC’s disagreement with the Commission’s accumulated depreciation calculations ultimately amounts to a difference of interpretation as to what constitutes a “13-month average” under Rule 25-30.433(5), F.A.C.¹⁴ The term “13-month average” is not specifically defined in the rule; however, the rule provides that “the averaging method used by the Commission to calculate rate base and cost of capital shall be a 13-month average for Class A utilities.” Rule 25-30.433(5), F.A.C. The Commission has interpreted a 13-month average to be the amounts on a Utility

¹² See Order No. PSC-2024-01 18-PAA-WS, p. 48, issued April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgfield, LLC*.

¹³ See Order No. 11437, filed on December 22, 1982, in Docket No. 820097-EU, *In re: Petition of Florida Power and Light Company to Increase Its Rates and Charges*; See Order No. 25347, filed on November 14, 1991, in Docket No. 910093-WS, *In re: Request for Rate Increase in Sumter County by Continental Utility, Inc.* (“Based on our decisions herein, and using the utility’s adjusted capital structure with each item reconciled on a pro rata basis, we find the appropriate overall cost of capital to be 11.90 percent with a range of 11.65 percent to 12.15 percent.”); Order No. PSC-07-0425-PAA-WU, filed on May 15, 2007, in Docket No. 060599-WU, *Application for Staff-Assisted Rate Case in Pasco County by Pasco Utilities, Inc.*; Order No. PSC-11-0514-PAA-WS, filed November 3, 2011, in Docket No. 100426-WS, *In re: Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.*; Order No. PSC-2020-0168-PAA-WS, filed on May 22, 2020, in Docket No. 20190166-WS, *In re: Application for increase in water rates in Highlands County by HC Waterworks, Inc.*

¹⁴ OPC also references a violation of Rules 25-30.433(5) and 25-30.436(5)(f), F.A.C., in its Motion. However, Rule 25-30.436(5)(f), F.A.C., simply reaffirms that, “the provisions of Rule 25-30.433, F.A.C., must be followed in preparing the utility’s application.”

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balance sheet for the 13 months of the test year, divided by 13.¹⁵ Additionally, the Commission has routinely allowed known and measurable adjustments to elements of rate base and cost of capital when necessary to accurately capture test year operations by a utility.¹⁶ This is especially true when known and measurable adjustments may be used in furtherance of the “matching principle,” a bedrock of regulated utility accounting meant to ensure consistency between costs and revenues. For example, if a plant is proposed to be removed from rate base, it may be prudent to make matching adjustments to the associated depreciation expense and/or accumulated depreciation reserve or even deferred taxes.

OPC interprets the Commission’s adjustments to annualize accumulated depreciation in the Utility’s test year as creating a year-end annualization, instead of using a 13-month average to address what it calls a mismatch. (OPC BR 28)

The Commission considered OPC’s arguments concerning annualization adjustments to the Utility’s test year accumulated depreciated before the vote in this matter. The Commission’s treatment of those arguments is fully explained in the Final Order:

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

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

(Final Order at p. 45)

Sunshine’s response to OPC’s Motion echoes arguments the utility made during the rate case, that “[c]ontrary to OPC’s assertion in the Motion, the annualization adjustment to Test Year Plant In-Service was not ‘unilaterally recommended’ or done ‘out of the blue.’ In fact, it was OPC itself that, at various points in the record of the instant case, identified the lack of a Plant In-Service adjustment as creating a mismatch.” Response at 3.

¹⁵ See *Form PSC 1028 (12-26) Class A Water and Wastewater MFRs.xlsx*, Schedules A1-A19, noticed in Rule 25-30.437, F.A.C.

¹⁶ *Id.*

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It appears as though this argument raised in OPC's Motion is the same that was raised during the rate proceeding and in its post-hearing brief. That argument was addressed, and dispensed with, in the Final Order. As previously stated, reconsideration is not an appropriate vehicle to reargue matters that have already been considered. Ultimately, staff believes that the Commission's interpretation of the term "13-month average," in Rule 25-30.433(5), F.A.C., is reasonable, and adequately explained in the Final Order. Test year accounting is used to analyze a regulated utility's financial information for the purpose of establishing appropriate rates in the future. The Commission's use of a 13 month average, adjusted with annualization calculations to correct a mismatch between plant-in-service and depreciation, served that purpose. The Commission's resolution of the "mismatch" identified by OPC is consistent with its broad discretion, is supported by the record evidence, and is consistent with Rule 25-30.433, F.A.C. Therefore, staff recommends that the Commission deny OPC's Motion for Reconsideration with respect to the Commission's annualization of plant in service depreciation.

D. Revenue Requirement Calculations

In its Motion, OPC offered alleged errors in the calculation of the revenue requirement in the Final Order. If accepted, OPC's adjustments would require a downward calculation of revenue requirement by \$778 and \$880 for the Utility's water and wastewater systems, respectively. The Utility offered no response to OPC's argument in its motion response.

Having reviewed OPC's calculations, OPC is correct with respect to the errors in calculation. It appears that the staff recommendation, and thus the Final Order, miscalculated property tax assessments incurred by the Utility. The corrected numbers are shown on Schedules 3-A through 3-C, attached to this recommendation. The corrected calculation proposed by OPC would have a negligible effect on customer rates. Because it does appear there was a minor error in the revenue requirement calculation, staff recommends reconsideration as to this issue and that the revenue requirement should be recalculated consistent with Schedules 3-A through 3-C. This will result in a downward calculation of revenue requirement by \$778 and \$880 for the Utility's water and wastewater systems, respectively.

E. Conclusion

Staff recommends that OPC's Motion should be granted in part and denied in part. As discussed in Section D above, staff recommends that reconsideration should be granted to correct the calculation of Sunshine's revenue requirement. Staff recommends that OPC has otherwise failed to demonstrate that the Commission overlooked or failed to consider a point of fact or law in rendering its decision. Therefore, in all other respects, OPC's Motion should be denied.

Issue 3: Should this docket be closed?

Recommendation: No. Final Order PSC-2025-0196-FOF-WS has been appealed to the Florida First District Court of Appeal. This docket should remain open for the processing of the appeal. (Sandy, Farooqi)

Staff Analysis: Final Order PSC-2025-0196-FOF-WS has been appealed to the Florida First District Court of Appeal. This docket should remain open for the processing of the appeal.

Sunshine Water Services Company Statement of Water Operations Test Year Ended 12/31/2023						Schedule No. 3-A Docket No. 20240068-WS	
Description	Test Year Per Utility	Utility Test Year Adj	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$22,532,175</u>	<u>\$5,563,719</u>	<u>\$28,095,894</u>	<u>(\$5,177,609)</u>	<u>\$22,918,285</u>	<u>\$4,531,826</u> <u>\$4,532,641</u> 19.8%	<u>\$27,450,111</u> <u>\$27,450,926</u>
2 Operating Expenses							
Operation & Maintenance	\$12,536,020	\$743,783	\$13,279,803	(754,824)	12,524,979		12,524,979
3 Depreciation	2,572,862	1,908,761	\$4,481,623	(161,558)	4,320,065		4,320,065
4 Amortization	0	46,750	\$46,750	0	46,750		46,750
5 Taxes Other Than Income	1,934,995	573,609	\$2,508,604	(227,353) (226,575)	2,281,251 2,282,029	203,932 203,969	2,485,184 2,485,998
6 Income Taxes	<u>1,112,778</u>	<u>441,521</u>	<u>\$1,554,299</u>	(1,193,894) (1,194,091)	<u>360,405</u> <u>360,208</u>	<u>1,096,905</u> <u>1,097,102</u>	<u>1,457,310</u>
7 Total Operating Expense	<u>18,156,655</u>	<u>3,714,424</u>	<u>21,871,079</u>	(2,337,628) (2,337,047)	<u>19,533,451</u> <u>19,534,032</u>	<u>1,300,837</u> <u>1,301,071</u>	<u>20,834,288</u> <u>20,835,102</u>
8 Operating Income	<u>\$4,375,520</u>	<u>\$1,849,295</u>	<u>\$6,224,815</u>	(2,839,981) (2,840,562)	<u>\$3,384,834</u> <u>\$3,384,253</u>	<u>\$3,230,989</u> <u>3,231,570</u>	<u>\$6,615,824</u>
9 Rate Base	<u>\$61,906,290</u>	<u>\$21,338,377</u>	<u>\$83,244,667</u>		<u>\$85,959,204</u>		<u>\$85,959,204</u>
10 Rate of Return	<u>7.07%</u>		<u>7.48%</u>		<u>3.94%</u>		<u>7.70%</u>

Sunshine Water Services Company Statement of Wastewater Operations Test Year Ended 12/31/2023						Schedule No. 3-B Docket No. 20240068-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$28,276,590</u>	<u>\$6,043,860</u>	<u>\$34,320,450</u>	(\$4,703,419)	<u>\$29,617,031</u>	<u>\$4,703,419</u> 15.9%	<u>\$34,320,450</u>
Operating Expenses							
2 Operation & Maintenance	\$14,655,194	\$970,541	\$15,625,735	(\$853,779)	\$14,771,956		\$14,771,956
3 Depreciation (Net)	5,374,706	874,090	6,248,796	(12,020)	6,236,776		6,236,776
4 Amortization	0	223,805	223,805	0	223,805		223,805
5 Taxes Other Than Income	2,218,669	511,247	2,729,916	(194,109) (193,229)	2,535,807 2,536,687	211,654	2,747,461
6 Income Taxes	<u>1,034,613</u>	<u>861,953</u>	<u>1,896,566</u>	(1,177,584) (1,177,807)	<u>718,982</u> <u>718,759</u>	1,138,438	<u>1,857,420</u>
7 Total Operating Expense	<u>23,283,182</u>	<u>3,441,636</u>	<u>26,724,818</u>	(2,237,491) (2,236,834)	<u>24,487,327</u> <u>24,487,984</u>	<u>1,350,092</u>	<u>25,837,418</u>
8 Operating Income	<u>\$4,993,408</u>	<u>\$2,602,224</u>	<u>\$7,595,632</u>	(\$2,465,928) (\$2,466,585)	<u>\$5,129,704</u> <u>\$5,129,047</u>	<u>\$3,353,327</u>	<u>\$8,483,032</u>
9 Rate Base	<u>\$93,386,364</u>	<u>\$8,186,677</u>	<u>\$101,573,041</u>		<u>\$111,439,518</u>		<u>\$111,439,518</u>
10 Rate of Return	<u>5.35%</u>		<u>7.48%</u>		<u>4.60%</u>		<u>7.61%</u>

Date: August 22, 2025

Sunshine Water Services Company		Schedule 3-C	
Adjustment to Operating Income		Docket No. 20240068-WS	
Test Year Ended 12/31/2023			
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 To remove requested final revenue increase.	(\$5,175,376)	(\$4,701,373)	
2 To reflect the appropriate amount of annualized revenues.	(2,233)	(2,046)	
Total	<u>(\$5,177,609)</u>	<u>(\$4,703,419)</u>	
<u>Operation and Maintenance Expense</u>			
1 To reflect Audit Finding No. 9 modified via Rebuttal. (I-28)	\$43,442	\$42,383	
2 To remove expense associated with DEP penalty. (I-28)	(165,188)	(153,584)	
3 To remove charitable contributions. (I-28)	(10,490)	(9,754)	
4 To remove expenses associated Wekiva WWTP litigation. (I-28)	0	(347,991)	
5 To reflect disallowances in management fees. (I-27)	(33,768)	(31,393)	
6 To remove payment processing expense. (I-26)	(200,501)	(186,418)	
7 To remove Chamber of Commerce dues. (I-28)	(7,612)	(7,077)	
8 To remove sewer maintenance expense. (I-28)	0	(29,879)	
9 To reflect Pro Forma Capitalized Labor. (I-26)	14,014	(17,106)	
10 To reflect O&M associated with Pro Forma meter replacements. (I-26)	(280,662)	0	
11 To reflect updated rate case expense. (I-25)	(13,622)	(12,667)	
13 To remove expiring RCE amortization. (I-28)	(96,267)	(89,504)	
14 To reflect the appropriate repression adjustment.	7,467	0	
15 To remove half of D&O Liability Insurance expense. (I-28)	<u>(11,637)</u>	<u>(10,790)</u>	
Total	<u>(\$754,824)</u>	<u>(\$853,779)</u>	
<u>Depreciation Expense - Net</u>			
1 To reflect net salvage value. (I-30)	(\$35,830)	(\$37,410)	
2 To reflect recommended pro forma plant. (I-4)	(116,370)	42,319	
3 To reflect Audit Finding No. 4. (I-31)	(251)	(234)	
4 To reflect Audit Finding No. 6. (I-30)	0	(7,048)	
5 To reflect updated pro forma retirements - depreciation expense. (I-5)	(14,496)	(10,613)	
6 To reflect updated pro forma retirements - CIAC amortization. (I-5)	<u>5,390</u>	<u>966</u>	
Total	<u>(\$161,558)</u>	<u>(\$12,020)</u>	
<u>Taxes Other Than Income (I-29)</u>			
1 RAFs on revenue adjustments above.	(\$232,992)	(\$211,654)	
2 To reflect Pro Forma Capitalized Labor.	1,072	(1,309)	
3 To remove property tax expense on non-U&U adjustment above.	0	(1,273)	
4 To reflect Pro Forma Plant Additions.	17,789 18,567	20,127 21,007	
5 To remove payroll tax corresponding to meter replacements.	<u>(13,221)</u>	<u>0</u>	
	<u>(\$227,353)</u>	<u>(\$194,109)</u>	
Total	<u>(\$226,575)</u>	<u>(\$193,229)</u>	