

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: December 12, 2025

TO: Marissa Ramos, Chief of Reliability and Resource Planning, Division of Engineering

FROM: Division of Engineering (Olivieri, King, Ramos, Smith II) *SO LS*
Division of Accounting and Finance (Higgins, Kelley, Lenberg) *DH*
Division of Economics (Bethea, Bruce) *SH*
Office of the General Counsel (Marquez, Farooqi) *SPS*

RE: Docket No. 20250084-SU – Application for staff-assisted rate case in Orange County, by Gulfstream Utility LLC.

-STAFF REPORT-

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting scheduled for January 13, 2026.

Table of Contents

Case Background	3
Issue 1 – Quality of Service	4
Issue 2 – Infrastructure and Operating Conditions	5
Issue 3 – Used and Useful.....	6
Issue 4 – Average Test Year Rate Base	7
Issue 5 – Rate of Return.....	10
Issue 6 – Test Year Revenues	11
Issue 7 – Operating Expenses	12
Issue 8 – Operating Ratio Methodology	15
Issue 9 – Revenue Requirement.....	16
Issue 10 – Rate Structure	17
Issue 11 – Customer Deposits.....	19
Issue 12 – Four Year Rate Reduction	20
Issue 13 – Temporary Rates.....	21
Schedule No. 1-A – Wastewater Rate Base.....	24
Schedule No. 1-B – Adjustments to Rate Base.....	25
Schedule No. 2 – Capital Structure.....	26
Schedule No. 3-A – Wastewater Operating Income	27
Schedule No. 3-B – Adjustments to Operating Income.....	28
Schedule No. 3-C – Analysis of Wastewater O&M Expense.....	30
Schedule No. 4 – Monthly Wastewater Rates	31

Case Background

Gulfstream Utility LLC (Gulfstream or Utility) is a Class C utility providing wastewater service to approximately 965 residential customers in Orange County. Gulfstream provides water service to its wastewater customers through a bulk service agreement with Orange County. Since Gulfstream is acting as a reseller of water, and does not sell water to its customers for a profit, the water operations are exempt from Florida Public Service Commission (Commission) regulation pursuant to Section 367.022(8), Florida Statutes (F.S.). In October 2023, Gulfstream applied for a staff-assisted rate case (SARC). However, in June 2023 the Utility withdrew its application. This will be Gulfstream's first SARC before the Commission. According to the Utility's 2024 annual report, its operating revenues were \$132,236 and operating expenses were \$187,386.

Gulfstream has been in existence since 2005 and was granted an original certificate by the Commission in 2022.¹ On June 4, 2025, the Utility filed an application for a SARC and the official date of filing the SARC was established as July 18, 2025. Gulfstream's request for a SARC is due to capital improvements and additional pro forma expense to the wastewater system.

This Staff Report is a preliminary analysis of the Utility's books and records, prepared by Commission staff, to give customers and the Utility an advanced look at what staff may be recommending. A customer meeting is scheduled for January 13, 2026, and the final recommendation to the Commission is currently scheduled to be filed March 19, 2026, for consideration at the April 7, 2026 Commission Conference. The preliminary recommendation will be revised as necessary using any new or updated information received.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, F.S.

¹ Order No. PSC-2022-0246-PAA-SU, issued June 28, 2022, in Docket No. 20210191-SU, *In re: Application for certificate to provide wastewater service in Orange County by Gulfstream Utility LLC*.

Date: December 12, 2025

Discussion of Issues

Issue 1: Is the quality of service provided by Gulfstream Utility LLC satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the customer meeting scheduled for January 13, 2026. (Olivieri)

Staff Analysis: Pursuant to Section 367.081(2)(a)(1.), F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in wastewater rate cases, the Commission shall determine the overall quality of service provided by the utility. This determination is made from an evaluation of the utility's attempt to address customer satisfaction. Rule 25-30.433, F.A.C., further states that the most recent outstanding citations, violations, and consent orders on file with the Florida Department of Environmental Protection (DEP), the county health department, and any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints received by the Commission are also reviewed. The operating condition of the wastewater system is addressed in Issue 2.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), received by the Utility, and filed with DEP for the test year and four years prior. There were no complaints recorded by CATS, the DEP, or the Utility.

Conclusion

Staff's recommendation regarding quality of service will not be finalized until after the customer meeting scheduled for January 13, 2026.

Date: December 12, 2025

Issue 2: Are the infrastructure and operating conditions of Gulfstream Utility LLC's wastewater system in compliance with DEP regulations?

Preliminary Recommendation: Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for January 13, 2026. (Olivieri)

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

Wastewater System Operating Conditions

Gulfstream's wastewater system has a permitted capacity of 99,000 gallons per day (GPD) Annual Average Daily Flow (AADF) and is a contact stabilization domestic wastewater treatment plant. Liquid chlorine disinfection is applied prior to wastewater effluent flowing into the percolation ponds and spray field. Staff reviewed the Utility's compliance evaluation inspections conducted by the DEP to determine the Utility's overall wastewater facility compliance. A review of the inspection conducted on May 5, 2025, indicated that the Gulfstream wastewater treatment facility was in compliance with the DEP's rules and regulations.

Conclusion

Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for January 13, 2026.

Date: December 12, 2025

Issue 3: What are the used and useful (U&U) percentages of Gulfstream Utility LLC's wastewater treatment plant (WWTP) and the wastewater collection system?

Preliminary Recommendation: Gulfstream's WWTP and wastewater collection system should be considered 100 percent U&U. There is no excessive infiltration and inflow (I&I) and no adjustment to operating expense is necessary. These are preliminary determinations and are subject to change. (Olivieri)

Staff Analysis: As stated in Issue 2, Gulfstream's WWTP is permitted by the DEP as a 99,000 GPD facility. According to the Utility, its wastewater collection system is comprised of approximately 39,117 feet of 8-inch polyvinyl chloride (PVC) collecting mains. There are 51 manholes and 6 lift stations throughout the service area.

Wastewater Treatment Plant and Collection System U&U

Rule 25-30.432, F.A.C., addresses the method by which the U&U percentage of a wastewater system is determined. The formula for calculating U&U for the WWTP is (average annual daily flow + growth – excessive I&I) / permitted plant capacity. The AADF for the Utility during the test year is 41,356 gallons per day. There is no excessive I&I and no growth based on a linear regression. The permitted capacity of the plant is 99,000 gallons per day. Based on this calculation, the WWTP is 42 percent U&U.

However, Rule 25-30.432, F.A.C., provides that in calculating U&U, the Commission will also consider other factors, such as whether or not the area served by the plant is built out. Based on staff's review of the customer growth and the maps provided by Gulfstream, the service territory has experienced little to no growth over the last five years. Additionally, all lots within the service territory are occupied. Therefore, based on staff's preliminary investigation, staff recommends that WWTP and the wastewater collection system be considered 100 percent U&U.

Infiltration and Inflow (I&I)

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Excessive I&I is a calculation that is based on a comparison of allowable wastewater treated to the actual amount of wastewater treated. Allowable treated water was calculated as 18,871,043 gallons and the amount of wastewater treated was 15,095,000 gallons. The amount treated is less than the estimated allowable amount. Therefore, there is no excessive I&I and no adjustment to operating expenses is necessary.

Conclusion

Staff recommends Gulfstream's WWTP and wastewater collection system should be considered 100 percent U&U. There is no excessive I&I and no adjustment to operating expense is necessary. These are preliminary determinations and are subject to change.

Date: December 12, 2025

Issue 4: What is the appropriate average test year rate base for Gulfstream Utility LLC?

Preliminary Recommendation: The appropriate average test year rate base for Gulfstream Utility LLC is \$475,080. (Lenberg, Olivieri)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, and working capital. Staff selected the test year ended December 31, 2024, for the instant rate case. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments are discussed below.

Utility Plant in Service

The Utility recorded UPIS of \$425,241. Audit staff increased this amount by \$3,750,000 to reflect the Original Cost Study provided by the Utility in Docket No. 20210191-SU.² The Original Cost Study reflected plant balance totaling \$3,750,000 as of December 31, 2021, which were deemed fully depreciated. Additionally, audit staff decreased this amount by \$12,351 to remove installation costs of backflow preventers that are unrelated to the wastewater system. As described more fully below, the Utility requested pro forma additions to UPIS. Therefore, staff increased UPIS by \$32,289 to reflect pro forma additions to UPIS; this amount is offset by the retirements of \$24,217. Staff further decreased this amount by \$9,981 to reflect an averaging adjustment. Staff's net adjustment to UPIS results in an increase of \$3,735,740. Therefore, staff recommends a total UPIS of \$4,160,981.

Land and Land Rights

The Utility recorded a test year land and land rights balance of \$98,726. Staff made no adjustments to this amount and therefore, recommends a land and land rights balance of \$98,726.

Used and Useful

As discussed in Issue 3, the Utility's system is considered 100 percent U&U. Therefore, no U&U adjustment is necessary.

Accumulated Depreciation

The Utility recorded accumulated depreciation of \$66,862. However, the Utility did not record the accumulated depreciation associated with the UPIS identified in the Original Cost Study. Audit staff increased this amount by \$3,750,000 to reflect the depreciated plant balance from the Original Cost Study. Audit staff further increased this amount by \$3,263 to reflect depreciation the Utility did not record in Account 351 – Organization. Audit staff then decreased this amount by \$377 to remove over depreciation for Account 364. Audit staff further increased accumulated depreciation by \$24,628 to reflect the use of the correct depreciation rates per Rule 25-30.140, F.A.C. Additionally, audit staff decreased this amount by \$1,235 to reflect the backflow preventers removed from UPIS. Staff decreased accumulated depreciation by \$23,679 to reflect pro forma additions and retirements. Lastly, staff decreased this amount by \$11,857 to reflect an averaging adjustment. Staff's adjustments are summarized below Table 4-1.

² Document No. 13066-2021, filed December 15, 2021, in Docket No. 20210191-SU.

Table 4-1
Staff Adjustments to Accumulated Depreciation

<u>Description</u>	<u>Adjustment</u>
To reflect auditing adjustment from the Original Cost Study.	\$3,750,000
To reflect auditing adjustment for unrecorded depreciation.	3,263
To reflect auditing adjustment to remove over depreciation.	(377)
To reflect auditing adjustment for the use of correct depreciation rates.	24,628
To reflect auditing adjustment to remove backflow preventers.	(1,235)
To reflect pro forma additions.	(23,679)
To reflect averaging adjustment.	(11,857)
Total adjustments to accumulated depreciation.	<u>\$3,740,744</u>

Source: Staff calculations.

As described above and summarized in Table 4-1, staff's net adjustment to accumulated depreciation results in an increase of \$3,740,744. Therefore, staff recommends an accumulated depreciation of \$3,807,606.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., and Commission practice, staff used the one-eighth of operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance.³ As such, staff removed the rate case expense of \$1,247. This resulted in an adjusted O&M expense balance of \$183,828. Based on this calculation, staff recommends a working capital allowance of \$22,978.

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$475,080. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

Pro Forma Plant Additions

Gulfstream is requesting recovery of four pro forma projects. When evaluating a Utility's requested pro forma plant additions, the Commission considers, among other things: (1) need; (2) reasonableness; (3) cost; (4) in-service date(s); and (5) alternatives, as it relates to each project. As is Commission practice, staff requested three bids for each project. However, in response to staff's data request, Gulfstream indicated that, although their standard practice is to obtain three bids for every project, multiple bids were not obtained for any of these projects due to the urgent nature of each repair. The Utility's requested pro forma projects are described below.

Project No. 1 – Lift Station Repair

Project No. 1 was for repairs to lift station No. 1. This project required the removal of hydraulic cement covering the float wires before replacing all four floats. Additionally, a repair to a 4-inch

³ E.g., Order No. PSC-2025-0359-PAA-WU, issued September 24, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County, by Country Walk Utilities, Inc.*

Date: December 12, 2025

discharge pipe was required. The total cost for this project was \$7,399. Gulfstream stated that this repair was urgent, and chose a trusted vendor with experience handling similar situations and had immediate availability. This repair was completed in February 2025.

Project No. 2 – Trolley Cable/Wheel, Diffuser Pull, and Digester Repair

Project No. 2 involved the construction of a trolley cable system and the replacement of a wheel for the #1 trolley, pulling of clean diffusers in the tanks, and the welding of a hole in the digester. The total cost of this project was \$20,232, with an in-service date of May 2025.

Project No. 3 – LED Lights

Project No. 3 was for the replacement of old lights on Gulfstream's property, its specific location being investigated by the Commission. This project required the construction of a new support system, along with running new wiring and installing a new junction box. The Utility stated that this project needed to be completed quickly to avoid further risk to Utility customers and property. The total cost for this project was \$1,823 and was completed in May 2025.

Project No. 4 – Lift Station Repair

Project No. 4 was the replacement of the starter on blower #1 due to item failure, and the replacement of the belts, oil, and intake filters for both blowers as preventative maintenance. Blowers are an essential element of a WWTP as they serve several functions. These include supplying oxygen for breaking down solids, transporting solids, as well as moving liquids through the system. The total cost for this project was \$2,835, with an in-service date of February 2025.

Staff believes the four pro forma projects are reasonable and should be approved because these projects involve repairs to vital Utility infrastructure necessary to maintain safe and reliable service to customers. These are preliminary recommendations by staff and are subject to change pending further investigation.

Date: December 12, 2025

Issue 5: What is the appropriate return on equity and overall rate of return for Gulfstream Utility LLC?

Preliminary Recommendation: The appropriate return on equity (ROE) is 8.51 percent, with a range of 7.51 percent to 9.51 percent. The appropriate overall rate of return is 8.51 percent. (Lenberg)

Staff Analysis: The Utility's capital structure consists of common equity. The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.51 percent based on the Commission-approved leverage formula currently in effect.⁴ Staff recommends an ROE of 8.51 percent with a range of 7.51 percent to 9.51 percent, and an overall rate of return of 8.51 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁴ Order No. PSC-2025-0213-PAA-WS, issued June 18, 2025, in Docket No. 20250006-WS; *In re: Water and wastewater industry annual reestablishment cf authorized range cf return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Date: December 12, 2025

Issue 6: What is the appropriate amount of test year operating revenues for Gulfstream Utility LLC's wastewater system?

Preliminary Recommendation: The appropriate test year operating revenues for Gulfstream's wastewater system are \$157,926. (Bethea)

Staff Analysis: The Utility recorded total test year operating revenues of \$139,605 for wastewater. The wastewater revenues included \$139,605 of service revenues and no miscellaneous revenues. During the test year, Gulfstream was approved for a price index rate adjustment, which was effective August 13, 2024. However, a review of the billing data indicated that the Utility incorrectly billed customers at a lower base facility (BFC) and usage charge, resulting in the Utility not collecting the appropriate test year operating revenues. Therefore, staff applied the current rates to the billing determinants to determine the appropriate test year operating revenues. As a result, staff determined test year service revenues should be \$157,926 for wastewater. This results in an increase to service revenue of \$18,321 (\$157,926 – \$139,605) for wastewater.

Based on the above, the appropriate test year operating revenues for Gulfstream's wastewater system are \$157,926.

Date: December 12, 2025

Issue 7: What is the appropriate amount of operating expense for Gulfstream Utility LLC?

Preliminary Recommendation: The appropriate amount of operating expense for Gulfstream is \$230,098. (Lenberg, Olivieri)

Staff Analysis: The Utility recorded operating expense of \$216,748. The test year O&M expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the Utility's operating expense as described below.

Pro Forma O&M

Gulfstream is requesting recovery of the cost to submit a WWTP Permit Renewal to the DEP. In order to complete this process, Gulfstream has contracted with a professional engineering firm to prepare the following: a Capacity Analysis Report, an Operations and Maintenance Performance Report, a Power Outage Contingency Plan, and a Collection System Action Plan. The proposed cost for preparing these reports is \$4,050. Since this expense is required for the Utility to maintain its permit with the DEP, staff preliminarily recommends approval of this expense.

Operation and Maintenance Expenses

Salaries and Wages – Employees (701)

The Utility recorded a salaries and wages expense of \$10,669, which included payroll tax. Staff decreased this amount by \$749 to reclassify payroll taxes to Taxes Other Than Income. Therefore, staff recommends a salaries and wages expense of \$9,920.

Purchased Wastewater Treatment (710)

The Utility recorded purchased wastewater treatment expense of \$68,726. Staff decreased this amount by \$3,823 to reflect an audit adjustment based on actual invoices provided by the Utility. Therefore, staff recommends a purchased wastewater treatment expense of \$64,903.

Sludge Removal Expense (711)

The Utility recorded sludge removal expense of \$15,645. Staff decreased this amount by \$998 to reflect an audit adjustment related to an out-of-period invoice. Staff also increased this amount by \$3,923 to reflect an audit adjustment for invoices provided by the Utility that had not been charged to an expense account. Staff further increased this amount by \$5,895 to reflect a reclassification of sludge removal costs that had been recorded in Account 731 – Contractual Services – Professional. Staff's net adjustment to sludge removal expense results in an increase of \$8,820. Therefore, staff recommends a sludge removal expense of \$24,465.

Purchased Power (715)

The Utility recorded purchased power expense of \$4,328. Staff increased this amount by \$2,161 to reflect an audit adjustment based on invoices for the test year provided by the Utility. Therefore, staff recommends a purchased power expense of \$6,489.

Chemicals (718)

The Utility recorded chemicals expense of \$7,397. Staff decreased this amount by \$561 to reflect an audit adjustment to remove an out-of-period invoice. Staff also increased this amount by

Date: December 12, 2025

\$2,056 to reflect an audit adjustment for the reclassification of chemicals expense that had been recorded in Account 731 – Contractual Services – Professional. Staff's net adjustment to chemical expense results in an increase of \$1,495. Therefore, staff recommends a chemicals expense of \$8,892.

Contractual Services – Billing (730)

The Utility recorded contractual services – billing expense of \$8,427. Staff decreased this amount by \$651 to reflect an audit adjustment to remove an out-of-period invoice. Staff further decreased this amount by \$1,366 to remove charges for November and December 2024 for which no supporting documentation was provided. Staff's net adjustment to contractual services – billing expense results in a decrease of \$2,017. Therefore, staff recommends a contractual services – billing expense of \$6,410.

Contractual Services – Professional (731)

The Utility recorded contractual services – professional expense of \$59,676. Staff increased this amount by \$481 to reflect a full year of groundskeeping services at the wastewater treatment plant. Staff decreased this amount by \$1,279 to reflect an audit adjustment due to lack of supporting documentation. In addition, staff decreased this amount by \$5,895 and \$2,056 to reclassify expenses that had been inappropriately recorded in Account 731 – Contractual Services and properly assign them to Accounts 711 – Sludge Removal Expense and 718 – Chemicals, respectively. Staff's net adjustment to contractual services – professional expense results in a decrease of \$8,749. Therefore, staff recommends a contractual services – professional expense of \$50,927.

Transportation Expense (750)

The Utility recorded transportation expense of \$536. Staff decreased this amount by \$310 to reflect an audit adjustment due to lack of supporting documentation. Therefore, staff recommends a transportation expense of \$226.

Regulatory Commission Expense (765)

The Utility did not record any rate case expense for this docket. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, interim rates, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$3,413. Staff calculated a distance of 268 miles from the Utility to Tallahassee. Based on the 2025 Internal Revenue Service (IRS) business mileage rate of \$0.70, staff calculated round trip travel and lodging expense to the Commission Conference of \$575.⁵ Additionally, the Utility paid a filing fee of \$1,000.

Staff recommends a total rate case expense, consisting of noticing costs, travel, lodging expenses, consulting fees, and filing fee of \$4,988, which amortized over four years is \$1,247. Therefore, staff recommends total annual rate case expense of \$1,247.

Miscellaneous Expenses (775)

The Utility recorded miscellaneous expenses of \$1,460. Staff decreased this amount by \$1,147 to remove telephone and cable expenses the Utility elected not to include for recovery. Staff further

⁵ <https://www.irs.gov/tax-professionals/standard-mileage-rates>

Date: December 12, 2025

decreased this amount by \$50 to remove unsupported office expenses. As described above, the Utility requested O&M pro forma to recover the costs of its wastewater treatment plant permit renewal, which is a non-recurring cost estimated to be \$4,050. Pursuant to Rule 25-30.433(9), F.A.C., staff amortized this amount over five years, resulting in an increase to the test year expense of \$810. Staff's net adjustment to miscellaneous expenses results in a decrease of \$387. Therefore, staff recommends miscellaneous expenses of \$1,073.

Operation and Maintenance Expense Summary

The Utility recorded test year O&M expense of \$187,387. Based on the above adjustments, staff recommends O&M expense be decreased by \$2,312. This results in a total O&M expense of \$185,075. Staff's recommended adjustments to O&M are shown on Schedule No. 3-C.

Depreciation Expense

The Utility recorded depreciation expense of \$14,861. Based on the depreciation rates prescribed in Rule 25-30.140 F.A.C., audit staff increased this amount by \$8,853. Staff further increased this amount by \$538 to reflect pro forma additions and retirements. Staff's net adjustments to depreciation expense result in an increase of \$9,391. Therefore, staff recommends depreciation expense of \$24,252.

Taxes Other Than Income (TOTI)

The Utility recorded TOTI of \$14,500. Audit staff decreased property tax by \$468 to reflect 2024 Real and Tangible Personal Property tax assessments from Orange County. Staff increased payroll tax by \$749 to reflect the reclassification of payroll tax expense that had been recorded in Account 701 – Salaries and Wages – Employees. Staff further increased TOTI by \$99 to reflect property taxes associated with pro forma plant additions.

Furthermore, based on revenues discussed in Issue 6, TOTI should be increased by \$824 to reflect a regulatory assessment fee (RAF) rate of 4.5 percent applied to the adjustment in revenues.

As discussed later in Issue 9, staff recommends revenues be increased by \$112,587 to reflect the increased revenue required to cover expenses and allow an opportunity to earn the recommended rate of return. As a result, TOTI should be increased by \$5,066 to reflect a RAF rate of 4.5 percent of the change in revenues. Staff's adjustments result in a total increase of \$6,271. Therefore, staff recommends a TOTI of \$20,771.

Operating Expense Summary

The Utility recorded operating expenses of \$216,748. The application of staff's recommended adjustments to the Utility's recommended operating expense results in a total operating expense of \$230,098, an increase of \$13,350. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

Date: December 12, 2025

Issue 8: Does Gulfstream Utility LLC meet the criteria for application of the operating ratio methodology?

Preliminary Recommendation: No, Gulfstream does not meet the requirement for application of the operating ratio methodology for calculating the revenue requirement. (Lenberg)

Staff Analysis: Rule 25-30.4575(2), F.A.C., indicates that in rate cases processed under Rule 25-30.455, F.A.C., the Commission will use the operating ratio methodology to establish the Utility's revenue requirement when its rate base is not greater than 125 percent of O&M expenses, less regulatory Commission expense and purchased wastewater treatment expense, and the use of the operating ratio methodology does not change the Utility's qualification for a SARC.

With respect to Gulfstream, staff has recommended a rate base of \$475,080. After removal of rate case expense and purchased wastewater treatment expense, staff calculated an adjusted O&M expense of \$118,925. Based on staff's preliminary recommended amounts, the Utility's rate base is 399.48 percent of its adjusted O&M expense. Based on this, the Utility does not qualify for application of the operating ratio methodology.

Issue 9: What is the appropriate revenue requirement for Gulfstream Utility LLC?

Preliminary Recommendation: The appropriate revenue requirement is \$270,513, resulting in an annual increase of \$112,587 (71.29 percent). (Lenberg)

Staff Analysis: Gulfstream should be allowed an annual increase of \$112,587 (71.29 percent). This should allow the Utility the opportunity to recover expenses and earn an 8.51 percent return on rate base. The calculations for the revenue requirement are shown on Table 9-1.⁶

Table 9-1
Revenue Requirement

Wastewater Rate Base	\$475,080
Rate of Return	× 8.51%
Return on Rate Base	<u>\$40,415</u>
Water O&M Expense	185,075
Depreciation Expense	24,252
Taxes Other Than Income	<u>20,771</u>
Revenue Requirement	<u>\$270,513</u>
Less Test Year Revenues	\$157,926
Annual Increase	\$112,587
Percent Increase	71.29%

Source: Staff calculations.

⁶ Staff notes calculations may not sum due to rounding.

Date: December 12, 2025

Issue 10: What are the appropriate rate structure and rates for Gulfstream Utility LLC?

Preliminary Recommendation: The recommended rate structure and monthly wastewater rates are shown on Schedule No. 4. The Utility's proposal to include a repression adjustment should be denied. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given by affidavit within 10 days of the date of the notice. (Bethea)

Staff Analysis: Gulfstream provides wastewater service to approximately 965 residential customers and no general service customers. Currently, the wastewater rate structure for residential and general service customers consists of a monthly uniform BFC for all meter sizes and gallonage charge with no gallonage cap for residential customers.

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; and (3) implement a gallonage cap, where appropriate, that considers approximately the amount of water that may return to the wastewater system.

Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. As mentioned above, the Utility currently does not have a wastewater gallonage cap set. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. However, it is Commission practice to set the wastewater cap at approximately 80 percent of residential water sold, which typically results in gallonage caps of 6,000, 8,000, or 10,000. Based on staff's review of the billing analysis, 86 percent of the gallons are captured at the 4,000 gallon consumption level and 93 percent of the gallons are captured at the 6,000 gallon consumption level. Based on staff's review of the billing data, staff recommends that the gallonage cap for residential customers be set at 6,000 gallons. Although the Utility does not have any general service customers, staff recommends implementing general service rates by meter size for future customers. Staff also recommends that the general service gallonage charge be set 1.2 times greater than the residential gallonage charge, which is consistent with Commission practice.

Furthermore, in its application, Gulfstream requested a repression adjustment as a result of the increase in wastewater rates. There are instances where the Commission, as a result of an increase in the price of water, has previously applied a corresponding wastewater repression adjustment when the water and wastewater provider are the same utility.⁷ Even in cases with a single water and wastewater utility provider, there still has been no recognition of an adjustment

⁷ Order No. PSC-2017-0459-PAA-WS, issued November 30, 2017, in Docket No. 20160176-WS, *In re: Application for staff-assisted rate case in Polk County by Four Lakes Golf Club, Ltd.*

Date: December 12, 2025

due to an increase in the price of wastewater alone. The Commission has only recognized the effect on customer demand from an increase in the price of water. It has been Commission practice that an increase in the price of water is the catalyst for whether or not to make a repression adjustment, which would ultimately flow through to wastewater. Therefore, a repression adjustment for the Utility's wastewater system is not appropriate in this case.

Also in its application, Gulfstream proposed to have rates implemented in three phases but "reserve[d] the right to implement full compensatory rates . . . in its sole discretion" Staff is still evaluating the Utility's request for phased in rates. However, pursuant to Section 367.081(1), "a utility may only charge rates and charges that have been approved by the [C]ommission."

Based on the above, staff's recommended rate structure and monthly wastewater rates are shown on Schedule No. 4. The Utility's proposal to include a repression adjustment should be denied. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given by affidavit within 10 days of the date of the notice.

Date: December 12, 2025

Issue 11: What are the appropriate initial customer deposits for Gulfstream Utility LLC?

Preliminary Recommendation: The appropriate initial customer deposit is \$48 for the 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for wastewater. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.⁸ Currently, the Utility has an initial residential customer deposit of \$28 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for general service customers. However, this amount does not cover two months' average bills based on staff's recommended rates. Based on the Utility's average monthly residential consumption, the appropriate initial customer deposit should be \$48 to reflect an average residential customer bill for two months. The monthly average residential water bill is \$24.

Staff recommends that the appropriate initial customer deposit is \$48 for the 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for wastewater. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

⁸ Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

Date: December 12, 2025

Issue 12: What is the appropriate amount by which rates should be reduced four years after the published effective date, to reflect the removal of the amortized rate case expense?

Preliminary Recommendation: The rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Gulfstream should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase and the reduction in the rates due to the amortized rate case expense. (Lenberg, Bethea)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. This results in a reduction of \$1,306.

Staff recommends that the rates be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Gulfstream should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting this reduction in conjunction with a price index, or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase and the reduction in the rates due to the amortized rate case expense.

Date: December 12, 2025

Issue 13: Should the recommended rates be approved for Gulfstream Utility LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Gulfstream should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Further, prior to implementing any temporary rates, the Utility should provide appropriate financial security.

If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating both the current monthly and total amount subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Lenberg)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay a rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the proposed rates be approved on a temporary basis. Gulfstream should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and it has been received by the customers. The additional revenue produced by staff's recommended rates and collected by the Utility should be subject to the refund provisions discussed below.

Gulfstream should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$77,014. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond for securing the potential refund, the bond should contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

Date: December 12, 2025

If the Utility chooses a letter of credit for securing the potential refund, the letter of credit should contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.
2. The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

1. The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
2. No monies in the escrow account may be withdrawn by the Utility without the prior written authorization of the Commission Clerk, or his or her designee.
3. The escrow account shall be an interest bearing account.
4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility.
6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8. This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
9. The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund

at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

GULFSTREAM UTILITY LLC TEST YEAR ENDED 12/31/2024 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 20250084-SU	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$425,241	\$3,735,740	\$4,160,981
2. LAND & LAND RIGHTS	98,726	0	98,726
3. ACCUMULATED DEPRECIATION	(66,862)	(3,740,744)	(3,807,606)
4. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>\$22,978</u>	<u>\$22,978</u>
WASTEWATER RATE BASE	<u>\$457,105</u>	<u>\$17,975</u>	<u>\$475,080</u>

GULFSTREAM UTILITY LLC		SCHEDULE NO. 1-B
TEST YEAR ENDED 12/31/2024		DOCKET NO. 20250084-SU
ADJUSTMENTS TO RATE BASE		
		<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1.	To reflect audit adjustments.	\$3,737,649
2.	To reflect pro forma additions.	32,289
3.	To reflect pro forma retirements.	(24,217)
4.	To reflect an averaging adjustment.	(9,981)
	Total	<u>\$3,735,740</u>
<u>ACCUMULATED DEPRECIATION</u>		
1.	To reflect audit adjustments.	(\$3,776,279)
2.	To reflect pro forma adjustments.	23,679
3.	To reflect an averaging adjustment.	11,857
	Total	<u>(\$3,740,744)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
	To reflect 1/8 of test year O&M expenses.	<u>\$22,978</u>

GULFSTREAM UTILITY LLC TEST YEAR ENDED 12/31/2024 SCHEDULE OF CAPITAL STRUCTURE					SCHEDULE NO. 2 DOCKET NO. 20250084-SU	
<u>CAPITAL COMPONENT</u>	<u>PER UTILITY</u>	<u>PRO RATA ADJUST-MENTS</u>	<u>BALANCE PER-STAFF</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
1 COMMON EQUITY	<u>\$457,106</u>	<u>\$17,975</u>	<u>\$475,080</u>	<u>100.00%</u>	8.51%	<u>8.51%</u>
TOTAL CAPITAL	<u>\$457,106</u>	<u>\$17,975</u>	<u>\$475,080</u>	<u>100.00%</u>		<u>8.51%</u>
RANGE OF REASONABLENESS					LOW	HIGH
RETURN ON EQUITY					7.51%	9.51%
OVERALL RATE OF RETURN					7.51%	9.51%

GULFSTREAM UTILITY LLC TEST YEAR ENDED 12/31/2024 SCHEDULE OF WASTEWATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 20250084-SU		
	TEST YEAR UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	\$139,605	\$18,321	\$157,926	\$112,587 71.29%	\$270,513
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$187,387	(\$2,312)	\$185,075	\$0	\$185,075
3. DEPRECIATION (NET)	14,861	9,391	24,252	0	24,252
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	<u>14,500</u>	<u>1,204</u>	<u>15,704</u>	<u>5,066</u>	<u>20,771</u>
TOTAL OPERATING EXPENSES	<u>\$216,748</u>	<u>\$8,283</u>	<u>\$225,031</u>	<u>\$5,066</u>	<u>\$230,098</u>
7. OPERATING INCOME / (LOSS)	(\$77,143)		(\$67,105)		\$40,415
8. WASTEWATER RATE BASE	\$457,105	\$17,975	\$475,080		\$475,080
9. RATE OF RETURN					8.51%

GULFSTREAM UTILITY LLC TEST YEAR ENDED 12/31/2024 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-B DOCKET NO. 20250084-SU
		<u>WASTEWATER</u>
OPERATING REVENUES		
To reflect audit adjustments.		<u>\$18,321</u>
Total		<u>\$18,321</u>
OPERATION AND MAINTENANCE EXPENSE		
1. Salaries and Wages – Employees (701)		
To reflect the reclassification of payroll tax.		<u>(\$749)</u>
2. Purchased Wastewater (710)		
To reflect an audit adjustment.		<u>(\$3,823)</u>
3. Sludge Removal Expense (711)		
To reflect audit adjustments.		<u>\$8,820</u>
4. Purchased Power (715)		
To reflect an audit adjustment.		<u>\$2,161</u>
5. Chemical Expense (718)		
To reflect audit adjustments.		<u>\$1,495</u>
6. Contractual Services – Billing (730)		
To reflect audit adjustments.		<u>(\$2,017)</u>
7. Contractual Services – Professional (731)		
To reflect audit adjustments.		<u>(\$8,749)</u>
8. Transportation Expense (750)		
To reflect an audit adjustment.		<u>(\$310)</u>
9. Rate Case Expense (765)		
To reflect 1/4 rate case expense.		<u>\$1,247</u>
10. Miscellaneous Expense (775)		
a. To reflect an audit adjustment.		<u>(\$1,147)</u>
b. To reflect unsupported Expenses.		<u>(50)</u>
c. To reflect amortization of the WWTP permit.		<u>810</u>
Subtotal		<u>(\$387)</u>
TOTAL OPERATION AND MAINTENANCE ADJ.		<u>(\$2,312)</u>

GULFSTREAM UTILITY LLC		SCHEDULE NO. 3-B
TEST YEAR ENDED 12/31/2024		DOCKET NO. 20250084-SU
ADJUSTMENTS TO OPERATING INCOME		
		<u>WASTEWATER</u>
DEPRECIATION EXPENSE		
a. To reflect pro forma adjustments.		\$538
b. To reflect an audit adjustment.		<u>8,853</u>
Total		<u>\$9,391</u>
TAXES OTHER THAN INCOME		
a. To reflect an audit adjustment.		(\$468)
b. Reclassification of payroll taxes.		749
c. To reflect property taxes associated with pro forma.		99
d. To reflect appropriate test year RAFs.		824
e. To reflect appropriate RAFs on revenue requirement increase.		<u>5,066</u>
Total		<u>\$6,271</u>
TOTAL OPERATING EXPENSE ADJUSTMENTS		<u>\$13,350</u>

GULFSTREAM UTILITY LLC TEST YEAR ENDED 12/31/2024 ANALYSIS OF WASTEWATER O&M EXPENSE		SCHEDULE NO. 3-C DOCKET NO. 20250084-SU		
ACCT.	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
701	Salaries and Wages - Employees	\$10,669	(\$749)	\$9,920
710	Purchased Wastewater Treatment	68,726	(3,823)	64,903
711	Sludge Removal Expense	15,645	8,820	24,465
715	Purchased Power	4,328	2,161	6,489
718	Chemicals	7,397	1,495	8,892
720	Materials and Supplies	800	0	800
730	Contractual Services - Billing	8,427	(2,017)	6,410
731	Contractual Services - Professional	59,676	(8,749)	50,927
736	Contractual Services - Other	9,723	0	9,723
750	Transportation Expense	536	(310)	226
765	Rate Case Expense	0	1,247	1,247
775	Miscellaneous Expenses	<u>1,460</u>	<u>(387)</u>	<u>1,073</u>
	Total O&M Expense	<u>\$187,387</u>	<u>(\$2,312)</u>	<u>\$185,075</u>
	Working Capital is 1/8 of O&M less RCE			\$22,978

GULFSTREAM UTILITY LLC TEST YEAR ENDED DECEMBER 31, 2024 MONTHLY WASTEWATER RATES		SCHEDULE NO. 4 DOCKET NO. 20250084-SU	
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u>			
All Meter Sizes	\$2.38	\$11.77	\$0.06
Charge per 1,000 gallons - Residential Service	\$4.93	\$5.11	\$0.02
<u>General Service</u>			
All Meter Sizes	\$2.38	N/A	
Base Facility Charge by Meter Size			
5/8" X 3/4"	N/A	\$11.77	\$0.06
3/4"	N/A	\$17.66	\$0.08
1"	N/A	\$29.43	\$0.14
1 1/2"	N/A	\$58.85	\$0.28
2"	N/A	\$94.16	\$0.44
3"	N/A	\$176.55	\$0.83
4"	N/A	\$294.25	\$1.38
6"	N/A	\$588.50	\$2.77
Charge per 1,000 gallons - General Service	\$4.93	\$6.13	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
1,000 Gallons	\$7.31	\$16.88	
3,000 Gallons	\$17.17	\$27.10	
5,000 Gallons	\$27.03	\$37.32	