



February 4, 2026

VIA ELECTRONIC FILING

Adam Teitzman, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20250108-WS – Application for staff-assisted rate case in Lake County by Sunlake Estates Utilities, L.L.C.

Dear Mr. Teitzman:

On behalf of Sunlake Estates Utilities, L.L.C. (“Utility”), this letter contains the responsive comments to the Staff Audit Report (Audit Control No. 2025-264-1-1) filed on January 13, 2026.

After having the opportunity to review the Audit Report and associated staff workpapers, the Utility requests that Staff reconsider the conclusions of Audit Finding No. 1 as it pertains to expenses incurred by the utility in 2024 to repair line breaks and for certain other repairs identified below. Audit staff determined that the costs incurred should have been capitalized by the Utility. The Utility disagrees with the preliminary determination in the Audit Report and asks that the following be taken into consideration before determining the final treatment of these expenses.

The utility repair activities completed in 2024 do not qualify for capitalization under Utility’s capitalization policy. The policy specifies that for pipeline repairs, a minimum replacement of ten (10) continuous feet of utility pipeline must occur for the repair to be considered a capital improvement. As the work performed failed to meet the policy requirements for capitalization, are examples of maintenance and routine repairs, and part of the utility’s ongoing cost of service, the Utility offers that these costs were properly categorized as operating expenses initially, and under Florida Public Service Commission standards should be treated as such going forward.

Additionally, the Utility reviewed the cost of *water main repairs* in prior and subsequent years and agrees that the level in 2024 is exceptional. The 2024 cost is approximately 3 – 5 times as much as costs

incurred in other years. Due to the exceptional nature of the costs incurred in 2024, the Utility offers that the *excessive* portion of the costs could be deferred and amortized, a more appropriate treatment than capitalizing.

The Utility also reviewed the cost of *sewer (lift station) repairs* and *WTP repair*, individually, and found that these costs were not exceptional and therefore should be expensed as recurring annual costs of maintenance and routine repair.

Finally, the NARUC account numbers cited in the highlighted portion of the Staff's workpapers that follows should be reviewed to ensure the correct account coding, if any of those items were to be capitalized.

Oct 2024		Water repairs at SLE, Lot #0J12, 1305 Warmw	12271				Move to 309
Nov 2024		Repair water leak at SLE, Lot #F15, 1535 Lake	12836				Move to 309
Nov 2024		10/31/24 J23 water break	12837				Move to 309
Nov 2024		10/28/24 J10 Water Break	12812				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10424				Move to 309
Nov 2024	CapEx Cleari	Curb Stop Repair	11560				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	9908				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10592				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10995				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	11622				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	11159				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	11948				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	11057				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10879				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10912				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10691				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10518				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10507				Move to 309
Nov 2024	CapEx Cleari	Water Main Break	10113				Move to 309
Nov 2024		Water break at F13	12095				Move to 309
Nov 2024		Water break at G08	12122				Move to 309
Dec 2024	CapEx Cleari	Water Main Break	10219				Move to 309
Dec 2024	CapEx Cleari	Water Main Break	10266				Move to 309
Dec 2024	CapEx Cleari	Water Main Break	10267				Move to 309
Nov 2024		leak at chlorine injection tube at WTP	12842				Move to 320
Nov 2024		Pumphouse Repair	28810				Move to 360
Nov 2024	CapEx Cleari	Lift Station Repair	10023				Move to 360
Nov 2024	CapEx Cleari	Lift Station Repair	11852				Move to 360
Dec 2024	CapEx Cleari	Lift Station Repair	12190				Move to 360

If Commission Staff has any questions or concerns, or requires any additional information or clarification on the items raised by the Utility herein, please don't hesitate to contact me.

Sincerely,
/s/ Daniel McGinn
Daniel J. McGinn

cc: Lynn Deamer – via email to: <LDeamer@psc.state.fl.us>