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: January 22, 2026

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Ramirez-Abundez, King, Ramos, Smith II) TB
Division of Accounting and Finance (Cohn, G. Kelley) MC
Division of Economics (Bruce, Hudson, Sibley) CJP
Office of the General Counsel (Imig, Augspurger) SPS

RE: Docket No. 20250023-WS – Application for staff-assisted rate case in Polk County, by NC Real Estate Projects, LLC d/b/a Grenelefe Utility.

AGENDA: 02/03/26 – Regular Agenda – Proposed Agency Action – Except for Issue Nos. 13, 14, and 15 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Ortega

CRITICAL DATES: 06/03/26 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

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Case Background

NC Real Estate Projects, LLC d/b/a Grenelefe Utility (Grenelefe or Utility) is a Class B water and wastewater utility operating in Polk County. Grenelefe provides service to approximately 1,400 water and wastewater customers. The Utility's service territory is located within the Southwest Florida Water Management District (SWFWMD). In its 2024 Annual Report, Grenelefe reported net operating losses of $197,676 for water and $397,410 for wastewater.

On July 8, 2024, Certificate Nos. 589-W and 507-S were transferred to the Utility.[1] On September 17, 2024, Grenelefe filed an application with the Commission for an amendment of its water and wastewater service territories, which included the proposed addition of a new development of approximately 1,080 customers. The Commission approved Grenelefe's certificate amendments on February 4, 2025.[2] The Utility's rates were last established during a staff-assisted rate case (SARC) in 2011.[3]

On January 10, 2025, Grenelefe filed an application for a SARC. The official filing date was established as March 3, 2025. The 12-month period ended October 31, 2024, was selected as the test year. As part of its SARC application, the Utility requested both interim rates and service availability charges. However, on February 11, 2025, the Utility withdrew its request for interim service availability charges.[4] The Commission approved the Utility's interim rates on March 11, 2025.[5] Subsequently, Grenelefe reinstated its request for interim service availability charges.[6] On September 24, 2025, the Commission approved the Utility's interim service availability charges, but these charges have not been implemented as of January 22, 2026.[7] A virtual customer meeting was held on September 15, 2025.

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

[1] Order No. PSC-2024-0228-PAA-WS, issued July 8, 2024, in Docket No. 20220142-WS, *In re: Application for transfer of water and wastewater facilities and Certificate Nos. 589-W and 507-S from Grenelefe Resort Utility, Inc. to NC Real Estate Projects, LLC d/b/a Grenelefe Utility, in Polk County*.
[2] Order No. PSC-2025-0060-FOF-WS, issued February 24, 2025, in Docket No. 20240140-WS, *In re: Application for amendment of Certificate Nos. 589-W and 507-S in Polk County, by NC Real Estate Projects, LLC d/b/a Grenelefe Utility.*
[3] Order No. PSC-12-0433-PAA-WS, issued August 21, 2012, in Docket No. 20110141-WS, *In re: Application for staff-assisted rate case in Polk County by Grenelefe Resort Utility, Inc.*
[4] Document No. 00967-2025, filed February 14, 2025, in Docket No. 20250023-WS.
[5] Order No. PSC-2025-0072-PCO-WS, issued March 11, 2025, in Docket No. 20250023-WS, *In re: Application for staff-assisted rate case in Polk County, by NC Real Estate Projects, LLC d/b/a Grenelefe Utility.*
[6] Document Nos. 03150-2025, filed April 25, 2025; 05520-2025, filed July 9, 2025; and 08018-2025, filed August 19, 2025, in Docket No. 20250023-WS.
[7] Order No. PSC-2025-0362-PCO-WS, issued September 24, 2025, in Docket No. 20250023-WS, *In re: Application for staff-assisted rate case in Polk County, by NC Real Estate Projects, LLC d/b/a Grenelefe Utility.*

Discussion of Issues

Issue 1: Is the quality of service provided by Grenelefe satisfactory?

Recommendation: No. While the Utility is in compliance with the Department of Environmental Protection (DEP) standards, staff recommends that the Utility's attempt to address customer satisfaction could be improved. In addition, staff has identified managerial issues, such as the Utility's failure to maintain required complaint and service interruption records. As such, staff recommends that Grenelefe's quality of service be considered marginal, but that no penalty be imposed at this time. Staff further recommends that the Utility meet with its customers within three months of issuance of the Consummating or Final Order to discuss its quality of service issues. The Office of Public Counsel and Commission staff should be timely made aware of the meeting date, place, and time. Lastly, within one month after such meeting with its customers, the Utility shall file a report in this docket summarizing the results of the meeting. (Ramirez-Abundez)

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 water and 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 quality of the utility's product (water) and the utility's attempt to address customer satisfaction (water and wastewater). The Rule further states that the most recent chemical analyses for the water system, outstanding citations, violations, and consent orders on file with the DEP and the County health department, as well as 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 to be reviewed. The operating conditions of the water and wastewater systems are addressed in Issue 2.

Quality of Utility's Product

In evaluation of Grenelefe's product quality, staff reviewed the Utility's compliance with the DEP's primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact taste, odor, and color of drinking water. In the DEP's last Sanitary Survey Report, dated May 10, 2023, no chemical or bacteriological exceedances were noted for the previous 12 months and the Utility was determined to be in compliance with DEP standards. Staff also reviewed the DEP's triennial Safe Drinking Water Program chemical analysis of samples taken at the point of entry on February 26, 2025. The results were in compliance with DEP standards.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS) records, those received by the Utility, and those filed with the DEP since 2022 when the Utility transferred to the current owner. For the analyzed time period, there was one complaint recorded in CATS under the current owner, which related to a delay in establishing service.

In its first data request, staff asked the Utility to provide a list of all service complaints received during the test year and four years prior to the test year and also requested an explanation of how

each complaint was resolved. In response, the Utility indicated it had received 215 complaints over nine broad categories since taking ownership and provided generalized responses for each category on how the complaints were addressed.[8] As this question was not fully answered, staff asked the question again in its fourth data request. Grenelefe responded that it was unaware of its obligation to record every service complaint prior to staff's first data request and therefore the Utility did not have the complaint records to provide.[9] Based on the information available to staff, the accuracy of which is uncertain, the majority of the 215 complaints were related to improper billing and quality of service issues, such as minerals in the water, smell, pipe leaks, water pressure, and lift station alarm noise. While staff was unable to analyze the Utility's complaints, they have been included in the summary table below.

The DEP reported that it received three water complaints under the current owner regarding the number of Boil Water Notices (BWN) issued and reports of cloudy water, but did not receive any wastewater complaints. A review of the customer complaints indicates the Utility has resolved all complaints filed with the Commission and with the DEP. Specific disposition of complaints received by the Utility is unknown. Table 1-1 summarizes the complaints from May 31, 2022, through the end of the test year recorded with CATS, the DEP, and the Utility.

Table 1-1
Number of Complaints by Source and Subject

	Current Owner (CATS)	DEP Records	Utility Records	Total
Delay in Connection	1	-	-	1
Improper Billing		-	153	153
Improper Disconnects	-	-	-	-
Outages	-	-	-	-
Quality of Service	-	3	62	65
Total	1	3	215	219

Staff performed a supplemental review of the complaints filed in CATS following the Customer Meeting held on September 15, 2025. This review found two additional complaints in CATS. These two CATS complaints addressed a sewer main line back up and improper billing. Additionally, one of the CATS complaints resulted in an apparent violation of Rule 25-22.032(6)(b), F.A.C., due to the Utility not responding within the required 15 days to staff inquiries.

At the virtual customer meeting held on September 15, 2025, 20 customers provided comments. At the meeting, customers echoed the concerns discussed above as well as opposing the rate increase. In addition, eight customers specifically commented on the number of BWNs issued

[8] Document No. 03149-2025, filed April 25, 2025, in Docket No. 20250023-WS.
[9] Document No. 11315-2025, filed September 17, 2025, in Docket No. 20250023-WS.

and one customer had outage concerns. Further, one customer discussed multiple sewage overflows he experienced in his upstairs condominium unit that emanated from line breaks underneath the customer's landing. The DEP investigated the sewer overflow issues on October 22, 2025, upon receiving a customer complaint from the Department of Health. After a facility inspection, the DEP determined Grenelefe to be in compliance by letter dated December 12, 2025.

There were approximately 209 customer comments filed in the docket file as of December 12, 2025.[10] The majority of these comments expressed concerns with the rate increase and argued that the water service is not reliable enough to justify such an increase. Other comments addressed: quality of service for both the water and wastewater systems (13); outages (11); and improper billing (3). In addition, customers expressed their dissatisfaction with the frequency and length of service interruptions. With respect to these service interruptions, customers also expressed communication concerns in regard to the Utility not providing comprehensive information as to the location of the areas affected by BWNs and when the BWNs were rescinded. Further, customers also identified communication issues regarding irrigation water services and not being notified of the discontinuation of those irrigation services.

On December 15, 2025, the Utility filed a letter in the docket file addressing the Office of Public Counsel's (OPC) original observation letter dated October 3, 2025. The Utility's letter stated that it had received 17 service-related complaints during this proceeding, of which the majority were related to BWNs and service interruptions, while two customer complaints concerned sewer backups, which it determined were not caused by reasons attributed to the Utility. On December 18, 2025, the OPC filed a subsequent letter detailing the level of customer participation in this proceeding (noting an unprecedented 16 percent of the customer base), and also expressing concerns on the amount of the overall rate increase.

After the customer meeting, staff asked the Utility to explain how it addressed the concerns of the customers that spoke. Specifically regarding the sewage overflows, Grenelefe stated that sewage overflows into customer homes are a rare event and, when they occur, the homeowner must attempt to clear their line to the Utility first. If the plumber hired by the customer is unable to clear the line, then the Utility will investigate to see if the blockage is the responsibility of the customer or the Utility. Grenelefe also stated that the Utility responded to each customer who provided comment at the customer meeting and that these responses were provided to the Commission. Staff requested copies of the Utility's responses to its customers in its seventh data request and the Utility provided copies of two different letters it sent to the customers that spoke at the customer meeting. One of the letters summarized service-related issues while the other summarized the reasons for the Utility's rate increase requests.[11]

As noted above, several customers expressed concerns with service interruptions and BWNs. Specifically, customers reported confusion when receiving BWNs via text, uncertainty about whether the notices had been rescinded, and frustration with the frequency of the interruptions. The Utility indicated that the number of BWNs and service interruptions are due to the age of the system and the corresponding needs to replace its outdated meters and equipment, repair its lift

[10] This includes customer comments provided by the OPC.
[11] Document No. 15496-2025, filed December 19, 2025, in Docket No. 20250023-WS.

stations, and replace the valves used to isolate the areas of the system that caused the BWNs.[12] These pro forma projects are discussed in Issue 4.

While the quality of the Utility's product passes DEP drinking water standards, staff believes the Utility's attempt to address customer satisfaction could be improved. CATS and the DEP recorded a minimal number of customer complaints since the transfer of ownership in 2022. Unfortunately, the number of complaints received by the Utility is unclear and of the 215 complaints the Utility initially stated it has received, staff cannot specifically analyze the types of complaints, frequency, or resolutions. Based on the customers who spoke at the customer meeting and comments filed in the docket file, there is a common theme of communication issues from the Utility to its customers. In addition to communication issues, customers also complained about the frequency and duration of service interruptions. As such, staff is recommending the Utility meet with its customers within three months of issuance of the Consummating or Final Order to discuss its quality of service.

Managerial Concerns

Staff's investigation into the Utility's attempt to address its customer service revealed several managerial issues related to poor recordkeeping and reporting. Such actions negatively impact the customer service provided by Grenelefe as well as the Utility's obligation to provide timely and accurate information to the Commission.

First, as discussed above, customers raised concerns regarding several service interruptions and BWNs. Staff first attempted to review any records the Utility filed with the Commission pursuant to Rule 25-30.251(1) and (2), F.A.C. The Rule states: "each utility is required to maintain a record of all interruptions in service which affect 10 percent or more of its customers, and to notify the Commission of these interruptions. The record is required to show the cause of the interruption, its date, time, duration, remedy, and steps taken to prevent recurrence."

Grenelefe has not filed any such reports with the Commission. As such, staff analyzed BWNs received from the Utility and Department of Health/DEP and it appears that the Utility has issued at least seven BWNs since taking ownership of the Utility in 2022.[13] Additionally, in response to staff's seventh data request, Grenelefe stated it has not maintained records in accordance with Rule 25-30.251(1), F.A.C.; however, it estimated approximately 10 service interruptions that may have affected 10 percent or more of its customers since taking ownership. The provided information did not address all items required by the Rule, nor did the Utility notify the Commission of the interruptions.[14] As such, staff recommends that the Utility maintain its service interruption records meeting the 10 percent threshold in the manner outlined in Rule 25-30.251(1), F.A.C., and notify the Commission of any such interruptions on a going-forward basis.

Second, as the Utility acknowledged, it was unaware of its obligation to record every service complaint. This is required pursuant to Rules 25-30.130 and 25-30.355, F.A.C., which direct, in part: each utility shall maintain a record of all complaints received and each record shall show

[12] Document No. 15043-2025, filed November 12, 2025, in Docket No. 20250023-WS.
[13] The BWNs are dated February 15, 2023, July 5 2023, and January 31, 2024.
[14] Document No. 15496-2025, filed December 19, 2025, in Docket No. 20250023-WS.

the name, address of the complainant, the nature of the complaint, the date received, the result of any investigation, the disposition of the complaint, and the date of the disposition. Not maintaining this information is not only an apparent Rule violation, it also hampers staff's ability to conduct a complete and accurate quality of service evaluation for the Commission's consideration pursuant to Florida Statute. Further, the Utility did not timely respond to a CATS complaint, which is an apparent violation of Rule 25-22.032(6)(b), F.A.C. Other issues with the managerial concerns for this Utility are listed below:

1.) Pursuant to Rule 25-30.110, F.A.C., Records and Reports; Annual Reports. The Utility is required to report any recorded accounted for water loss through flushing or other uses. The Utility also did not provide this information regarding other uses for water when prompted through data requests.

2.) In its first, second, and fourth data requests, as well as in two separate emails and a call to the Utility, staff requested copies of the failed fire hydrant inspections. The Utility did not respond to those inquiries. The Utility did provide copies of its failed fire hydrant inspections on December 29, 2025; however, this information was both late and incomplete.

3.) Grenelefe did not provide copies of the lift station inspection reports requested by staff in its fourth and fifth data requests.

4.) The Utility only provided one inspection report for the two hydropneumatic (hydro) storage tanks.[15] Staff located the inspection report for the second hydro storage tank on the DEP's website. That report stated that the inspection was done on September 5, 2025, even though the Utility had previously stated it was done prior to April 25, 2025.[16] In addition, the Utility did not provide a standalone cost breakdown of the hydro storage tanks inspection cost as requested in the second and third data requests.

5.) Staff contacted the Utility multiple times, both in writing and via telephone, regarding billing information and there have been billing inconsistencies throughout the rate case as discussed in Issue 6.

Conclusion

The Utility is in compliance with the DEP standards; however, several customer comments regarding service interruptions, BWNs, and billing issues have been received. In addition, staff has identified managerial issues, such as the Utility's failure to maintain required complaint and service interruption records. As such, staff recommends that Grenelefe's quality of service be considered marginal, but that no penalty be imposed at this time. Staff further recommends that the Utility meet with its customers within three months of issuance of the Consummating or Final Order to discuss its quality of service issues. The Office of Public Counsel and Commission staff should be made aware of the meeting date, place, and time. Last, within one

[15] Document No. 14623-2025, filed October 16, 2025, in Docket No. 20250023-WS.
[16] Document No. 06464-2025, filed July 17, 2025, in Docket No. 20250023-WS.

month after meeting with its customers, the Utility shall file a report in this docket summarizing the results of the meeting.

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

Recommendation: Yes. Grenelefe's water and wastewater treatment facilities are in compliance with DEP regulations. (Ramirez-Abundez)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water and wastewater utility to maintain and operate its plant and facility by employing qualified operators in accordance with the DEP Rules. 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, sanitary surveys for water and compliance evaluation inspections for wastewater systems, citations, violations, consent orders issued to the utility, customer testimony, comments, complaints, utility testimony, and responses to the aforementioned items.

Water and Wastewater Operating Conditions

Grenelefe's water system has a permitted capacity of 2,160,000 gallons per day (gpd) and a design capacity of 4,320,000 gpd. The system has two wells with pumping capacities of 1,500 gallons per minute (gpm) each, and two hydro storage tanks with capacities of 25,000 gallons each. There are 75 fire hydrants located throughout the service area. Groundwater from the wells is treated through liquid chlorination. Staff reviewed the Utility's most recent Sanitary Survey Report conducted by the DEP on May 10, 2023. The DEP noted seven deficiencies which included: nonfunctioning air release valves for a hydro tank and both wells; one well concrete pad was cracked; seals on both wells were leaking; and no corrosion control on either plant. The DEP received a letter from the Utility that stated they had corrected all the deficiencies within 30 days of the Sanitary Survey Report.

Grenelefe's wastewater system consists of an existing 0.680 million gallons per day (MGD) Three-Month Rolling Average Daily Flow design capacity extended aeration domestic wastewater facility, with disposal to an existing 0.340 MGD annual average daily flow permitted capacity rapid infiltration basin system. Staff reviewed the Utility's last DEP Compliance Evaluation Inspection report, dated December 6, 2022. The DEP noted two deficiencies: 1) three of the four groundwater monitoring wells were not labeled or secured; and 2) alarm malfunctions at all three lift stations. The DEP subsequently determined that all non-compliance items identified at the time of the inspection had been corrected and deemed the Utility to be in compliance as of March 15, 2023.

The DEP renewed Grenelefe's operations permit on November 16, 2022, and also issued the Utility an Administrative Order (AO), which was accompanied by a schedule of compliance. The schedule of compliance noted that the Utility will not meet specific conditions of its permit relating to total nitrogen (TN) and total phosphorus (TP) limits of its reclaimed water with its current wastewater system. Grenelefe's wastewater treatment plant (WWTP) is located in the Lake Okeechobee Basin Management Action Plan (BMAP) area. TN and TP limits for wastewater effluent must be met for wastewater facilities located in the BMAP area. As part of the instant docket, the Utility requested cost recovery for Project No. 10 (wastewater treatment plant modifications) to help address the TN and TP limits, as discussed further in Issue 4. The

AO ordered that the Utility should submit a proposal with the most feasible option to meet the TN and TP requirements and also obtain the DEP's approval of the proposal prior to September 30, 2025. On November 12, 2025, the DEP issued a Compliance Assistance Offer and Complaint Inspection Report letters to the Utility; however, both of these items have been closed and the Utility is currently in compliance with the DEP.

Conclusion

Grenelefe's water and wastewater treatment facilities are in compliance with DEP regulations.

Issue 3: What are the used and useful (U&U) percentages of Grenelefe's water treatment plant (WTP), WWTP, water distribution, and wastewater collection systems?

Recommendation: Grenelefe's WTP, WWTP, water distribution, and wastewater collections systems should be considered 100 percent U&U. Additionally, staff recommends that a 53.9 percent adjustment to purchased power and chemicals should be made for excessive unaccounted for water (EUW). No adjustment is recommended for excessive infiltration and inflow (I&I). (Ramirez-Abundez)

Staff Analysis: As stated in Issue 2, the Utility's water system has two wells with pumping capacities of 1,500 gpm each and two hydro storage tanks with capacities of 25,000 gallons each. Grenelefe's water distribution system is comprised of 214,368 feet of 4 inch to 10 inch polyvinyl chloride (PVC) pipe. There are 75 fire hydrants throughout the water distribution system.

Additionally, Grenelefe's wastewater system consists of a 0.340 MGD extended aeration system, consisting of ten aeration basins, four clarifiers, seven deep bed automatic backwash filters, three prefilter chlorine contact chambers, one post chlorine contact chamber, one fluent pump wet well, and three digesters. The Utility's wastewater collection system is composed of 67,584 feet of 8 inch to 10 inch PVC pipe. There are five duplex[17] lift stations throughout the wastewater collection system.

Used and Useful Percentages

Rules 25-30.432 and 25-30.4325, F.A.C., address the method by which the U&U of a wastewater and water system is determined, respectively. Grenelefe's U&U percentages were last determined in Docket No. 20110141-WS.[18] In that docket, the Commission determined the Utility's WTP, WWTP, water distribution, and wastewater collection system to be 100 percent U&U. As discussed in the Case Background, the Commission recently approved amendments to the Utility's water and wastewater service territories.[19] The Utility has requested an increase to the permitted capacity of its WWTP with the DEP. This project, along with other WWTP upgrades, is discussed further in Issue 4. Consistent with the Commission's previous decision, staff recommends that the Utility's WTP, WWTP, water distribution, and wastewater collections systems be considered 100 percent U&U. The U&U of the WWTP and collections systems may be reevaluated in a future proceeding pending the final modifications to the Utility's WWTP which may increase its permitted capacity.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., provides factors to be considered in determining whether adjustments to operating expenses are necessary for EUW. EUW is defined as "unaccounted for water in excess of 10 percent of the amount produced."[20] Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the utility. In determining whether

[17] A duplex lift station contains two pumps in the wet-well.
[18] Order No. PSC-12-0433-PAA-WS, issued August 21, 2012, in Docket No. 20110141-WS, *In re: Application for staff-assisted rate case in Polk County by Grenelefe Resort Utility, Inc*.
[19] Order No. PSC-2025-0060-FOF-WS, issued February 24, 2025, in Docket No. 20240140-WS, *In re: Application for amendment of Certificate Nos. 589-W and 507-S in Polk County, by NC Real Estate Projects, LLC d/b/a Grenelefe Utility*.
[20] Rule 25-30.4325(1)(e), F.A.C.

adjustments to plant and operating expenses are necessary in accordance with Rule 25-30.4325(10), F.A.C., staff considers several factors. These include the causes of EUW, any corrective action taken, or the economic feasibility of a proposed solution. EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped for the test year.

The Monthly Operating Reports that the Utility files with the DEP indicate that the Utility treated 116,252,434 gallons during the test year. In response to a staff data request, the Utility indicated that it purchased no water and did not provide water for other uses during the test year. Staff determined that the Utility sold 42,020,392 gallons of water for the test year. When both gallons sold and water used for other uses are subtracted from the total gallons pumped, there are 77,405,258 gallons that are unaccounted for. The formula for determining EUW as a percentage is given by gallons of unaccounted water / (total gallons pumped + gallons purchased). The resulting unaccounted for water is 63.9 percent and the excessive unaccounted for water is 53.9 percent. Regarding the cause, the Utility stated that the amount of EUW can be attributed to line breaks, lost water due to the age of the Utility infrastructure, and poor recordkeeping by the previous owner.[21] However, as discussed in Issue 1, the Utility did not provide any recorded amount for water loss through flushing or other uses pursuant to Rule 25-30.110, F.A.C.

Infiltration and Inflow

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 the allowable wastewater treated to the actual amount of wastewater treated. Staff calculated the allowable infiltration based on system parameters and calculated that allowable inflow based on the water sold to customers. The sum of these amounts is allowable I&I. Staff next calculated the estimated amount of wastewater returned from customers. The estimated return is determined by summing 80 percent of the water sold to residential customers with 90 percent of the water sold to non-residential customers. Adding the estimated return to the allowable I&I yields the maximum amount of wastewater that should be treated by the wastewater system without incurring an adjustment to operating expenses. If this amount exceeds the actual amount of wastewater treated, no adjustments are made. If it is less than the gallons treated, then the difference is the excessive amount of I&I. By convention, the allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of residential water billed is allowed for inflow.

Using the pipe lengths of Grenelefe's collection system, the infiltration allowance is calculated to be 21,024,000 gallons per year. Ten percent of the total gallons sold to customers is allowed for inflow, which totals 3,897,718 gallons. The sum of these amounts is the total allowable I&I, which is 24,915,718 gallons per year. The amount calculated for estimated return is 31,348,410 gallons per year. To find the total amount of wastewater allowed, the total allowable I&I and the estimated return are summed, yielding 56,264,427 gallons per year. Finally, this total is compared to the total treated during the test year, which is 46,296,700 gallons according to the Utility's daily flow report. This is less than the estimated maximum amount allowed. Therefore, there is no excessive I&I, and no adjustment to operating expenses is necessary.

[21] Staff would note that the current owners operated the Utility for the entire test year. Therefore, the previous owner's recordkeeping is irrelevant to this determination of EUW.

Conclusion

Grenelefe's WTP, WWTP, water distribution, and wastewater collections system should be considered 100 percent U&U. Staff recommends there is 53.9 percent EUW, therefore, an adjustment to purchased power and chemicals should be made. Additionally, no adjustment is recommended for excessive I&I.

Issue 4: What is the appropriate average test year rate base for Grenelefe?

Recommendation: The appropriate average test year rate bases for Grenelefe are $1,866,312 for water and $1,241,585 for wastewater. Further, staff recommends the Utility be required to submit a report no later than November 30, 2026, detailing the status of each Commission-approved pro forma project. (Cohn, Ramirez-Abundez)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, contributions-in-aid of construction (CIAC), accumulated amortization of CIAC, capital recovery, accumulated capital recovery, and working capital. Staff selected the test year ended October 31, 2024, for the instant rate case. A summary of each component and the recommended adjustments are discussed below.

Utility Plant in Service

The Utility recorded UPIS of $3,212,594 for water and $3,290,936 for wastewater. Audit staff decreased these amounts by $85,059 for water and $187,115 for wastewater to reflect adjustments from a prior Commission order, reclassify amounts from WWTP, and to reflect plant retirements.[22] Staff reduced water UPIS by an additional $9,386 to reflect an averaging adjustment. Additionally, staff increased water UPIS by $1,758,389 and wastewater UPIS by $949,844 to reflect pro forma additions. Staff then made subsequent adjustments to reflect pro forma-related retirements, reducing water UPIS by $543,861 and reducing wastewater UPIS by $131,852. These adjustments result in a net increase to UPIS of $1,120,084 for water and $630,877 for wastewater. Therefore, staff recommends a UPIS of $4,332,678 for water and $3,921,813 for wastewater.

Pro Forma Plant Additions

Grenelefe requested pro forma projects for both its water and wastewater systems. However, since some items are not system specific, like a replacement vehicle, those costs would be allocated to both the water and wastewater systems. The pro forma projects are shown in Table 4-1 and each pro forma project is described below. Additionally, it is Commission practice for staff to evaluate whether a minimum of three bids were solicited for each project or the utility's reasoning as to why three could not be obtained.[23]

[22] Order No. PSC-2024-0228-PAA-WS, issued July 8, 2024, in Docket No. 20220142-WS, *In re: Application for transfer of water and wastewater facilities and Certificate Nos. 589-W and 507-S from Grenelefe Resort Utility, Inc. to NC Real Estate Projects, LLC d/b/a Grenelefe Utility, in Polk County.*

[23] Order No. PSC-2022-0335-PAA-WS, issued September 28, 2022, in Docket No. 20220066-WS, *In re: Application for increase in water rates in Washington County, by Sunny Hills Utility Company* and Order No. PSC-2021-0206-FOF-WS, issued 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. of Florida.*

Table 4-1
Pro-Forma Plant Projects

	Project	Account Number	Utility Requested	Staff Recommended	Retirement*
Water					
1.	Neptune 5/8 by 3/4 T10 P/C R900i cellular USG meters (Meters and Meter boxes)	334	$823,643	$758,838	($167,461)*
2.	Radio Read Meter Installations	334	$271,800	$242,385	($53,493)*
3.	Replacing 15 Fire Hydrants	-	$234,000	$0	-
4.	Hydro Tank #6 Rehabilitation	330	$413,000	$66,786	($11,547)*
5.	Hydro Tank #10 Rehabilitation	330	$66,786	$66,786	($11,547)*
6.	Potable Well #6 Refurbishment	311	$121,000	$115,000	($10,421)*
7.	Potable Well #10 Refurbishment	311	$121,000	$115,000	($10,421)*
8.	Irrigation/Non-potable Wells	-	$840,000	$0	-
9.	20 Valve Replacements	331	$1,897,176	$363,200	($272,400)
Wastewater					
10.	Wastewater Treatment Plant Modifications	-	$16,300,000	$0	-
11.	Lift Station #1 Refurbishment	371	$198,672	$197,433	($26,901)*
12.	Lift Station #2 Refurbishment	371	$195,000	$195,000	($26,570)*
13.	Lift Station #3 Refurbishment	371	$170,545	$166,992	($22,754)*
14	Lift Station #4 Refurbishment	371	$188,500	$188,500	($25,684)*
15.	Lift Station #5 Refurbishment	371	$175,500	$171,525	($23,371)*
Water/Wastewater					
16.	Utility Truck – F-250	341/391	$52,239	$52,239	($9,874)*
17.	Utility Truck – F-150	-	$43,168	$0	-
18.	Utility Golf Cart	341/391	$51,870	$8,549	($3,268)*
-	Total	-	$22,163,899	$2,708,233	($675,713)

Source: Responses to staff data requests and staff calculations.
*Denotes capped retirement

Project Nos. 1 & 2 – Meter Replacements

Project Nos. 1 and 2 are for replacement meters and the associated installation costs. The Utility is proposing to install radio read meters as a replacement for its existing manual read meters. Radio read meters are digital read water meters that record water usage and send data to the master database center monthly. According to Grenelefe, its existing manual read meters are: 1) obsolete, and replacements and parts are hard to obtain; 2) close to or past their expected useful service life; and, 3) not functioning properly or are otherwise inaccessible.

The Utility considered the alternative of replacing the existing meters with other manual meters, but decided not to since those meters would not diminish human error or the quantity of meter readings. In staff's fourth data request, staff asked the Utility if it considered Advanced Metering Infrastructure (AMI) meters or Automated Meter Reading (AMR) as alternatives. Grenelefe's

response stated that the Neptune Digital Meter system is the industry standard meter used by Utility companies.

The Utility provided three bids for the installation cost and only one bid for the material cost. The Utility explained that only one bid was solicited for the meters because the bidder was able to provide the Utility with a price no one would match and others would not waste time providing a proposal.[24] The provided bid was for 1,350 5/8 inch meters. However, this number was updated to 1,377 meters in a data request response, and also included meters of other sizes.

Staff is recommending approval of the replacement meters due to the number of improper billing complaints from customers, the high EUW discussed in Issue 3, and the fact that the existing meters are past their useful lives. Also in response to staff's fourth data request, the Utility stated that there should be $32,472 in annual Operations & Maintenance (O&M) savings related to the installation of the radio read meters since no staff will be required to manually read each meter every month. Specifically, staff recommends total project costs of $1,001,223. This includes selecting the lowest bid for the installation costs ($242,385) and cost recovery for 1,243 5/8 inch meters ($757,838), based upon the updated meter count provided in response to staff's fourth data request, minus the additional meter sizes. Grenelefe stated that it expects the replacements to take six to eight weeks and will begin replacing meters as soon as cost recovery for this project is approved. As such, the anticipated completion date for this project is June 30, 2026.

No. 3 – Fire Hydrants

Project No. 3 is the replacement of 15 fire hydrants at a cost of approximately $234,000.[25] The Utility has 75 fire hydrants in its service territory and stated that every year the fire hydrants need to be flow tested as ordered by the Polk County Fire Marshall's Office. Staff requested the flow testing documents numerous times as noted below:

1. Staff's second data request, No. 5a (dated June 6, 2025):[26] "On page three of this document, the Utility provided a list of its requested pro forma projects. (a) Column 8 is labeled 'Regulatory Mandate (M) or Enhancement (E).' For each of the following projects labeled as 'Regulatory Mandate,' please provide the government agency that required the project, a brief explanation as to why it was required, and all documentation that supports this designation. (ii) Hydrants."

   Utility's response to staff's second data request: Response to 5a. ii.) "The Polk County Fire Marshall's office requires fire hydrants to be flow tested annually to ensure residents have adequate fire protection. When flow tests on hydrants fail the Fire Marshall wants a timeline as to when the hydrant can be replaced. These outdated hydrants, well past their useful lives, frequently fail these tests by the Fire Marshall." Also as part of its response, the Utility provided a single bid to replace 15 fire hydrants for $266,000.[27]

[24] Document No. 11315-2025, filed September 17, 2025, in Docket No. 20250023-WS.
[25] Document No. 03149-2025, filed April 25, 2025, in Docket No. 20250023-WS.
[26] Document No. 04307-2025, filed June 6, 2025, in Docket No. 20250023-WS.
[27] Document No. 05797-2025, filed July 16, 2025, in Docket No. 20250023-WS.

2. Staff's fourth data request, No. 25 (dated July 23, 2025):[28] "Grenelefe is requesting to replace 15 of its fire hydrants, as these hydrants have failed inspections and are past their useful service lives. Provide copies of the inspection failure reports and any other pertinent documentation to justify the need for this request."

   Utility's response to staff's fourth data request: "Replace 15 fire hydrants -The Flow tests performed on the aged fire hydrants reveal that a large number of them failed the flow tests and due to their age and functionality being diminished they require replacement due to failing the flow tests. The replacement plan was made due to the Ben Tech LLC Flow tests done on all the Fire Hydrants and reported to Polk County Fire Inspector. This report showed 15 failed the flow test and require replacement. The Utility is attempting to replace 3 per quarter, it could be faster if funds become available."

3. Staff's fifth data request did not contain any questions regarding fire hydrants. However, as part of its response to staff's fifth data request, the Utility included a bid to replace 20 fire hydrants and a quarterly inspection program for $298,000.[29]

4. Staff emailed the Utility on October 10, 2025, and again on December 17, 2025, (as well as a follow-up phone call on December 17, 2025), requesting copies of the inspection failure reports. On December 17, 2025, the Utility responded via email that 15 fire hydrants needed to be replaced. More specifically, 13 fire hydrants are inoperable and have failed inspection and that 2 additional fire hydrants have caps that could not be removed during inspection and need to be addressed. The Utility did provide inspection report copies on December 29, 2025; however, the partial information was provided late. The partial information consisted of 68 fire hydrant inspection reports; however, the Utility indicated it has a total of 75 fire hydrants in its 2024 Annual Report. Of the 68 fire hydrant inspection reports provided, 22 fire hydrants failed inspection. The Utility also indicated that it has already replaced 6 of the 15 fire hydrants.

To date, the Utility has not provided the documentation to support all 15 fire hydrant replacements. While the Utility originally indicated that 15 fire hydrants needed replacement, it later changed its request to be 20 fire hydrants, and then provided documentation that showed 22 fire hydrants failed inspection. However, in its late response, the Utility also indicated it already replaced 6 fire hydrants. As a result, the total number of fire hydrants that still need to be replaced is unclear. Therefore, staff recommends denying the Utility's request for cost recovery of this project. This does not prevent the Utility from replacing the fire hydrants and the Utility may request cost recovery for this project in the future when it is able to provide supporting documentation.

Project No. 4 & 5 – Hydro Tanks #6 and #10

Project Nos. 4 and 5 are related to Grenelefe's hydro tanks. The DEP requires hydro tanks to be inspected every five years. In response to staff's fifth data request, the inspection report for tank #10, dated March 27, 2025, was provided. Tank #10 passed its inspection but needed minor repairs and to be repainted. Initially, the Utility stated that tank #6 failed its inspection and

[28] Document No. 06762-2025, filed July 23, 2025, in Docket No. 20250023-WS.
[29] Document No. 15043-2025, filed November 12, 2025, in Docket No. 20250023-WS.

needed to be replaced.[30] However, staff found the inspection report for Tank #6 in Oculus, DEP's electronic document management system, dated September 5, 2025, which indicated that Tank #6 passed its inspections, but also needed repairs and to be repainted. Three bids were provided that included both hydro tanks. The Utility has not yet started this project and therefore, has not yet selected a vendor. Staff is recommending approval of the necessary repairs and repainting of tanks #6 and #10 due to the inspection results and the regulatory requirement from DEP. Further, staff recommends selecting the lowest bid of $66,786 for each hydro tank ($133,572 total). The estimated in-service date is October 31, 2026.

Project No. 6 & 7 – Potable Wells #6 and #10

Project Nos. 6 and 7 are the refurbishment of potable wells #6 and #10. The Utility is requesting cost recovery for these refurbishments, which include the installation of new pumps, motors, and control panels. As part of this project, Grenelefe also proposed adding Supervisory Control and Data Acquisition (SCADA) monitoring systems to minimize water outages, as well as new output meters to accurately measure flows. Grenelefe determined that both wells are past their useful service lives. As explained in Issue 1, there are several customer complaints and comments regarding service interruptions. The installation of SCADA at these wells can help reduce the duration of the interruptions. Three bids were provided for each well. The Utility has not yet started this project and therefore, has not yet selected a vendor. Staff agrees with the Utility that these projects should minimize water outages and, in turn, reduce the duration of interruptions. Therefore, these projects appear to be a reasonable request from the Utility and staff recommends selecting the lowest bid of $121,000 for each well refurbishment and the addition of SCADA ($242,000 total). The estimated in-service date is October 31, 2026.

Project No. 8 – Irrigation/Non-potable Wells (Withdrawn)

Project No. 8 was the proposed upgrade of eight non-potable wells to potable wells. In its response to staff's fourth data request, Grenelefe stated it was no longer pursuing this project.[31]

Project No. 9 – Valve Replacements

Project No. 9 is the replacement of 20 valves throughout Grenelefe's water distribution system. The Utility stated that the DEP office that works with the Polk County Health Department had received multiple customer complaints for excessive issuances of BWNs. The Utility stated that they are unable to isolate sections of the water system, when necessary, due to most water distribution valves being inoperable. The Utility originally requested to replace 100 valves over ten years; but, the three bids provided only indicated 10 valves per bid.

Staff agrees this project is needed so that service interruptions may be isolated and thereby lessen the number of customers that may be impacted by an outage. However, pursuant to Section 367.081(a)(2), F.S., there is a 24-month deadline from the end of the test year for completing pro forma projects, unless a longer period is approved by the Commission. Therefore, staff does not believe the Utility's request to replace 100 valves over a ten-year period is appropriate. Moreover, Grenelefe indicated that it has replaced only four valves between November 1, 2024, and October 31, 2025.[32] In its seventh data request, staff requested copies of the paid invoices for

[30] Document No. 06464-2025, filed July 17, 2025, in Docket No. 20250023-WS.
[31] Document No. 11315-2025, filed September 17, 2025, in Docket No. 20250023-WS.
[32] Document No. 15043-2025, filed November 12, 2025, in Docket No. 20250023-WS.

the four valves the Utility stated it replaced, to which the Utility provided a signed service contract with U.S. Water Services for one valve dated October 11, 2022, and another invoice for three valves dated January 27, 2025.[33] However, staff did not rely on these invoices for its recommendation for the cost of the valves since the October 2022 invoice did not match the current estimates for the valves, and the three invoices from 2025 appear to only represent partial costs for materials. As such, staff recommends cost recovery for an additional 16 valves, for a total of 20 valves, which will be replaced within the 24 months following the test year, for a total cost of $363,200. This value is based upon the lowest bid received by the Utility for new 6 inch water valves. The estimated in-service date is October 31, 2026.

Project No. 10 – Wastewater Treatment Plant Modifications

Project No. 10 is the proposed modifications to Grenelefe's WWTP. In response to staff's first data request, Grenelefe provided its DEP permit as well as the AO, which is discussed below. Grenelefe falls within the boundaries of the Lake Okeechobee BMAP. Section 403.067, F.S., provides the foundational statutory framework for BMAPs. Additionally, BMAP is addressed by a regulatory framework within the Florida Administrative Code, developed by the DEP to manage and improve water quality in specific areas. The AO requires Grenelefe's WWTP to meet a 10 mg/1 total nitrogen limit and a 6 mg/1 total phosphorus limit, which are based on the permitted capacity of the WWTP.

The Utility is requesting cost recovery for two phases. The first phase would be to update the existing tankage for flow equalization to occur as well as improvements to the plant's headwork structures. The headwork structure improvements would include clearing and emptying the existing tankage, cleaning tank interior walls, necessary external tank repair and recoating, new air supply and distribution, new surge pumps, new controls, and a new flow regulator box. The first phase has an estimated cost of $1,840,281. The second phase is to provide an effluent that meets the BMAP requirements, with a 0.495 MGD permitted plant capacity. Grenelefe plans to accomplish this by constructing three sequencing batch reactor (SBR) chambers, installing SBR equipment, and converting the existing filter clearwell to a chlorine contact tank. The second phase has an estimated cost of $10,741,174. There are additional estimated costs of $877,737 for the construction of a rapid infiltration basin, as well as $2,888,062 for bonds, contingencies, and engineering costs. The Utility's total estimated cost to modify the WWTP is $16,374,254.

In its SARC Application, the Utility stated that this project's proposed modifications would allow the WWTP to meet the BMAP nutrient reduction requirements, as well as bring the permitted capacity of the plant up to at least 0.495 MGD of the 0.680 MGD design capacity. In response to staff's fourth data request, Grenelefe stated that the Utility owner requested the treatment plant be developed to meet these two objectives in order to comply with the DEP BMAP nutrient reduction requirements and to ensure plant capacity was available to meet the demand created by the expected new housing development, and other redevelopment in the area, over the next five years. In response to staff's fifth data request, the Utility explained that Grenelefe is not being required directly by the DEP to increase the permitted capacity of the wastewater treatment facilities.[34]

[33] Document No. 15496-2025, filed December 19, 2025, in Docket No. 20250023-WS.
[34] Document No. 15043-2025, filed November 12, 2025, in Docket No. 20250023-WS.

Staff requested additional bids in its first, second, and fourth data requests. The Utility provided one bid with three alternative cost options, which consisted of projects that differed slightly in nature and ranged from $9,345,039 to $13,908,210. In a supplemental response to staff's fifth data request, on November 12, 2025, the Utility provided staff with a cost break down. The cost breakdown provided a report that does not reflect finalized costs for this project and is marked as "Draft." The Utility stated it was never completed because the management, in conjunction with the consulting engineer, decided to move directly to the SBR design with concrete tankage. No additional information was provided as to why the report was not finalized, and Grenelefe did not provide any additional bids for this project.

In response to staff's fourth data request, which requested additional details on this project, Grenelefe stated that staff should discuss this project with Grenelefe's engineer. On October 9, 2025, staff held an informal meeting with Grenelefe's engineer, at which time staff was informed that the expected completion date of the WWTP would be in 2027, as the Utility was just starting the bidding process. Additionally, in response to staff's fifth data request, Grenelefe stated that funding could not be secured for this project until final rates and charges are in place. However, as discussed above, it is required by statute that all pro forma projects must be completed within 24 months of the end of the test year, unless the Commission approves a longer time period.

Staff recognizes that the DEP has required the Utility to meet the BMAP guidelines and has established timeline requirements for compliance. Despite these requirements, Grenelefe is currently only in the initial bidding phase of this project. Accordingly, total project cost is still uncertain, and the Utility's estimated completion date for the project is beyond the statutory 24-month timeframe. Based on these facts, staff is not recommending approval of this project for cost recovery at this time. Staff recognizes the DEP requirements set forth in the AO and notes that Grenelefe may file a request for cost recovery of this project after the DEP has approved its proposal, and total project cost and the in-service date are established.

Project Nos. 11, 12, 13, 14, & 15 – Lift Stations Refurbishments

Project Nos. 11 through 15 are refurbishments for five lift stations. The Utility stated that all five of the lift stations have been neglected for years with old electrical panels that are improperly grounded. Grenelefe is requesting to refurbish the five lift stations with new panels, pumps, valves, check valves, and the installation of new wet well liners. While the Utility indicated it provided lift station reports to Commission staff, no additional documents were attached to that response or were otherwise provided.[35] Grenelefe has provided service since 1977.[36] The Utility system is over 40 years old, but staff does not know the age of each of the lift stations requested. Staff believes these projects are needed and recommends approval due to the Utility's aging system. Four bids were provided for each lift station. The Utility has not yet started this project and therefore, has not yet selected a vendor. As such, staff recommends selecting the lowest bids which are: $197,433 for Lift Station #1; $195,000 for Lift Station #2; $166,992 for Lift Station #3; $188,500 for Lift Station #4; and, $171,525 for Lift Station #5. The estimated in-service date for the five lift stations is October 31, 2026.

[35] Document No. 15043-2025, filed November 12, 2025, in Docket No. 20250023-WS.
[36] Order No. PSC-98-1459-AS-WS, issued October 26, 1998, in Docket No. 19961006-WS, In re: *Application for certificates under grandfather rights to provide water and wastewater service by Sports Shinko Utility, Inc. d/b/a Grenelefe Utilities in Polk County.*

Project Nos. 16, 17, & 18 – Utility Trucks and Golf Carts

Project Nos. 16, 17, and 18 are the Utility's request for two new pickup trucks and three golf carts. Grenelefe stated that the current Utility vehicles have outlived their useful service lives, with one being 21 years old and the other being 18 years old. Both were acquired from the previous Utility owner. For Project No. 16, Grenelefe is requesting a new Ford F-250 pickup truck, which the Utility says is needed to tow heavy equipment like mini excavators, backhoes, and tractors around the service territory. Project 17 is for a new Ford F-150 pickup truck, which the Utility says is needed to transport Utility personnel around the expansive service territory, along with the necessary tools to be able to do repairs in a timely manner. Project No. 18 is the Utility's request to purchase three new golf carts. Grenelefe stated that the current golf carts are past their useful service lives and are no longer operable. The Utility stated that it can no longer depend on the current golf carts for customer service calls and meter readings.

Staff agrees that Grenelefe's vehicles are past their useful lives and need to be replaced. However, the Utility's payroll only includes two employees, one being the owner of the Utility. All other operations for Grenelefe are contracted. Given this, the need for two trucks and three golf carts does not seem reasonable. Additionally, as the radio read meters are placed into service (Project Nos. 1 and 2), the need for golf carts is lessened because meters will no longer be read manually. Therefore, staff is recommending approval of the Ford F-250 truck and one golf cart for the two payroll employees, which thereby eliminates project No. 17 (Ford F-150 Truck). The Utility provided two bids for the F-250 truck. Grenelefe stated that it did not provide a third bid, per Commission practice, because there is no point in giving the Commission another bid when the price, in all probability, will be at least as high as the two bids already provided.[37] Grenelefe provided three bids for the golf carts and staff recommends the lowest bid for both the F-250 pickup truck and the golf cart. The total cost for the F-250 truck is $52,239 and the total cost for the golf cart is $8,549. The costs of the truck and golf cart will be split evenly between the water and wastewater systems, with an estimated in-service date of June 30, 2026.

Capped Retirement

In general, it is Commission practice to use the 75 percent of pro forma addition methodology to estimate the retirement amount of assets being replaced when the original cost is unknown. In this case, for certain accounts, application of the 75 percent retirement methodology results in an overall negative plant balance. Therefore, staff has capped the retirement amounts at the average test year plant balance for respective accounts. This methodology has been utilized in Docket No. 20160101-WS and was approved by Order No. PSC-2017-0101-FOF.[38] In that order, the Commission found that: "the amount of retirement to plant in service and accumulated depreciation reflected in the adjusted test year shall be calculated based on either the 75 percent methodology . . . or on the actual balance in the impacted plant in service account . . . if that balance would be negative as a result of the 75 percent methodology."[39] The capped pro forma plant project retirements are shown on Table 4-1.

[37] Document No. 11315-2025, filed September 17, 2025, in Docket No. 20250023-WS.
[38] Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, and Amendatory Order PSC-2017-0361A-FOF-WS, filed 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. of Florida.*
[39] *Id*.

Due to the capped retirement, two accounts have remaining undepreciated plant balances. Staff believes that these remaining balances should be recovered as amortization expense over a 10-year period. Although Rule 25-30.433(10), F.A.C., prescribes the formula for determining the appropriate amortization period for forced abandonment or the prudent retirement of plant assets prior to the end of their depreciable life, staff recommends an amortization period of 10 years. Staff notes an alternate amortization period is allowed by the aforementioned rule. Staff's recommendation is intended to spread the recovery of these costs over a longer period in order to mitigate the immediate annual rate impacts. Staff identified two accounts that have remaining undepreciated plant balances, as reflected in Table 4-2 and Table 4-3 below.

Table 4-2
Water Capital Amortization

Account	Plant Balance	Accumulated Depreciation	Undepreciated Plant Balance	Amortization Expense
330	$82,951	$76,515	$6,436	$644
Total	$82,951	$76,515	$6,436	$644

Source: Staff calculations.

Table 4-3
Wastewater Capital Amortization

Account	Plant Balance	Accumulated Depreciation	Undepreciated Plant Balance	Amortization Expense
371	$126,476	$49,289	$80,115	$8,011
Total	$126,476	$49,289	$80,115	$8,011

Source: Staff calculations.

As described above, staff increased UPIS for pro forma-related additions by $1,758,389 for water and $949,844 for wastewater. This amount is offset by retirements of $543,861 for water and $131,852 for wastewater. Further, staff recommends capital recovery of $6,436 for water and $80,115 for wastewater over a 10-year amortization period. The corresponding annual amortization expense is $644 for water and $8,011 for wastewater.

Used and Useful

As discussed in Issue 2, the Utility's system is considered 100 percent U&U. Therefore, no U&U adjustment is necessary.

Land and Land Rights

The Utility recorded a test year land and land rights balance of $7,000 for water and $49,400 for wastewater. Audit staff reduced this account by $4,000 for water to reflect amounts approved in the last Commission Order.[40] Therefore, staff recommends a land and land rights balance of $3,000 for water and $49,400 for wastewater.

[40] Order No. PSC-12-0433-PAA-WS, issued August 21, 2012, in Docket No. 20110141-WS, *In re: Application for staff-assisted rate case in Polk County by Grenelefe Resort Utility, Inc.*

Accumulated Depreciation

The Utility recorded an accumulated depreciation balance of $2,926,284 for water and $3,149,184 for wastewater. Audit staff decreased these amounts by $127,254 for water and $382,576 for wastewater to reflect adjustments from a prior Commission Order, to reclassify amounts from WWTP, to reclassify from O&M Expense, and to reflect additions and retirements not booked.[41] Staff decreased accumulated depreciation by $30,217 for water and $95,769 for wastewater to reflect averaging adjustments. Additionally, staff decreased accumulated depreciation by $485,718 for water and $84,158 for wastewater due to pro forma additions and retirements.

Staff's adjustments to accumulated depreciation result in a net decrease of $643,189 for water and a net decrease of $562,502 for wastewater. Therefore, staff recommends an accumulated depreciation balance of $2,283,095 for water and $2,586,682 for wastewater.

Contributions-In-Aid-of-Construction (CIAC)

The Utility recorded CIAC of $2,302,685 for water and $1,051,361 for wastewater. Staff made no adjustments and therefore recommends an average CIAC balance of $2,302,685 for water and $1,051,361 for wastewater.

Accumulated Amortization of CIAC

The Utility recorded accumulated amortization of CIAC of $2,191,692 for water and $872,227 for wastewater. Audit staff reduced these amounts by $115,270 for water and $90,250 for wastewater to reflect amortization based on depreciation rates of the related plant accounts. Additionally, staff further decreased these amounts by $21,092 for water and $5,968 for wastewater to reflect averaging adjustments.

Staff's adjustments result in a net reduction to accumulated amortization of CIAC of $136,362 for water and $96,218 for wastewater. Therefore, staff recommends an average accumulated amortization of CIAC balance of $2,055,330 for water and $776,009 for wastewater.

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(2), F.A.C., staff used the one-eighth O&M expense (less rate case expense) formula for calculating the working capital allowance. As such, staff removed the rate case expense of $6,179 for water and $3,823 for wastewater. This resulted in an adjusted O&M expense balance of $439,767 for water and $450,375 for wastewater. Applying the aforementioned formula, staff recommends a working capital allowance of $54,971 for water and $56,297 for wastewater.

Conclusion

Based on the foregoing, staff recommends that the appropriate average test year rate base is $1,866,312 for water and $1,241,585 for wastewater. Rate base is shown on Schedule No. 1-A for water and Schedule No. 1-B for wastewater. The related adjustments are shown on Schedule No. 1-C. Further, staff recommends the Utility be required to submit a report no later than

[41] *Id.*

November 30, 2026, detailing the status and in-service date of each Commission-approved pro forma project.

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

Recommendation: The appropriate return on equity (ROE) is 10.51 percent with a range of 9.51 percent to 11.51 percent. The appropriate overall rate of return is 9.00 percent. (Cohn)

Staff Analysis: The Utility's capital structure consists of long-term debt, common equity, and customer deposits. In response to a staff inquiry, the Utility provided information regarding the financing of its pro forma additions.[42] Grenelefe intends to finance approximately 75 percent of its capital additions through long-term debt and the other 25 percent through common equity. Although the Utility has yet to secure the long-term loan, it has been quoted an estimated interest rate range of 6.5 percent to 9.0 percent. Thus, staff has developed a hypothetical capital structure utilizing the information provided by the Utility. With respect to the pro forma additions, staff assumed a 7.75 percent cost rate for the Utility's prospective long-term loan, as it represents the midpoint of the estimated range. Since the time of the Staff Report, the Utility has not obtained actual loan information.[43] When coupled with the Utility's pre-existing long-term debt obligation at a cost rate of 9.75 percent, staff calculated a weighted average cost of long-term debt of 8.52 percent.

Conclusion

The Utility's (hypothetical) capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 10.51 percent based on the Commission-approved leverage formula currently in effect.[44] Staff recommends an ROE of 10.51 percent with a range of 9.51 percent to 11.51 percent, and an overall rate of return of 9.00 percent. The ROE and overall rate of return are shown on Schedule No. 2.

[42] Document No. 05248-2025, filed June 26, 2025, in Docket No. 20250023-WS.
[43] Document No. 15043-2025, filed November 12, 2025, in Docket No. 20250023-WS.
[44] Order No. PSC-2025-0213-PAA-WS, issued June 18, 2025, in Docket No. 20250006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 6: What are the appropriate test year revenues for Grenelefe's water and wastewater system?

Recommendation: The appropriate test year operating revenues for Grenelefe's are $291,545 for the water system and $254,027 for the wastewater system. (Sibley)

Staff Analysis: The Utility recorded test year operating revenues of $364,578 for water and $245,208 for wastewater. The water revenues included $331,092 of service revenues and $33,486 of miscellaneous revenues. The Utility did not include any miscellaneous revenues for the wastewater system.

During the test year, the Utility had several changes in its billing software, which resulted in inconsistent billing data. The Utility was unable to provide the billing data for the months of November and December 2023. Audit staff believed it was necessary to use the calendar year 2024 billing data to prepare the billing analysis. However, due to a change in the billing software, the billing data for the months of January 2024 and February 2024 were combined into one billing register. Since the billing data was combined for two billing periods and a monthly average was used for the two months in audit staff's billing analysis, staff believes it was appropriate to use January 2025 and February 2025 billing data to complete the billing analysis.

Upon deciding to use the January 2025 and February 2025 billing data, staff discovered the Utility had another software change. In addition, from prior dockets, staff was familiar with the customer classifications and meter sizes and noticed that some customers were misclassified. Recently, the Utility informed staff that there was another change to its billing software and a change from non-potable irrigation service to providing only potable irrigation service. In order to reflect the appropriate billing determinants, staff shared with the Utility the customer classifications and meter sizes from a prior docket to address the inconsistencies and adjusted the billing determinants. To determine the appropriate service revenues, staff applied the adjusted billing determinants to the existing rates. As a result, staff determined that service revenues for water should be $258,059, which is a decrease of $73,033 ($331,092 - $258,059) and $254,027 for wastewater, which is an increase of $8,819 ($254,027 - $245,208).

Based on the above, the appropriate test year operating revenues for Grenelefe are $291,545 ($258,059 + $33,486) for the water system and $254,027 for the wastewater system.

Issue 7: What is the appropriate amount of operating expense for Grenelefe?

Recommendation: The appropriate amount of operating expense for Grenelefe is $571,555 for water and $575,941 for wastewater. (Cohn)

Staff Analysis: The Utility recorded operating expense of $571,359 for water and $648,505 for wastewater. The test year operating expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as described below.

Operation and Maintenance Expenses

Salaries and Wages – Employees (601/701)

The Utility recorded a salaries and wages – employees expense of $0 for both water and wastewater. Staff increased this figure by $59,001 for water and $36,099 for wastewater to account for the addition (transfer) of an "Accounting and Operations Manager" position that was previously subsumed in contractual services - accounting. As this position is being transferred to the Utility's payroll, staff finds it reasonable to apply a standard 160-hour month for a full-time employee in determining the appropriate salary expense. Therefore, staff recommends a salaries and wages – employees expense of $59,001 for water and $36,099 for wastewater.

Salaries and Wages – Officers and Directors (603/703)

The Utility recorded a salaries and wages – officers and directors expense of $0 for both water and wastewater. The Utility requested the addition of an Owner's salary of $100,000. Staff reviewed the duties and responsibilities of the position and found they most closely align with the "Small General Manager" classification in the 2023 AWWA Compensation Survey, which reflects a midpoint salary of $104,456. Applying the Commission's 2024 and 2025 Price Indices of 3.24 percent and 2.23 percent results in a compound indexed amount of $110,245.

However, staff and OPC believe that the work hours reported by the Owner appear overstated and are unsupported.[45] In response to staff's sixth data request, the Utility stated that maintaining a timesheet would not be an efficient use of the Owner's time.[46] In addition, the Utility provided a summary of the various entities to which the Owner devotes time beyond the Utility, including: Ronin Assets, LLC; SJD Development, LLC; Smokey Grove Development; and Grenelefe Resort Development, LLC. Given this information and fair assumptions regarding time management, staff believes it reasonable to base the Owner's salary on a 100-hour work month. Staff calculated a salary of $68,903 using the aforementioned compensation and duration assumptions. Therefore, staff recommends a salaries and wages – officers and directors expense of $42,993 for water and $25,910 for wastewater.

Sludge Removal (711)

The Utility recorded sludge removal expenses of $85,930 for wastewater. Audit staff decreased the sludge removal expense by $25,330 to reflect actual invoices provided for the test year. Therefore, staff recommends a sludge removal expense of $60,600 for wastewater.

[45] Document No. 14200-2025, filed October 3, 2025, in Docket No. 20250023-WS.
[46] Document No. 15044-2025, filed November 12, 2025, in Docket No. 20250023-WS.

Purchased Power (615/715)

The Utility recorded purchased power expenses of $45,852 for water and $54,758 for wastewater. Audit staff decreased the purchased power expense by $24,846 for water and increased the expense by $19,914 for wastewater. Staff further decreased purchased power by $29 for wastewater to accurately reflect invoices received for the test year. Additionally, staff decreased water by $11,322 to reflect the 53.90 percent EUW discussed in Issue 3. Staff's adjustments to purchased power result in a total decrease of $36,168 to water and an increase of $19,885 to wastewater. Therefore, staff recommends a purchased power expense of $9,684 for water and $74,643 for wastewater.

Chemicals (618/718)

The Utility recorded chemicals expenses of $18,934 for water and $7,877 for wastewater. Audit staff decreased these amounts by $2,134 and $677 for water and wastewater, respectively, to reflect actual invoices provided for the test year. Additionally, staff decreased water by $10,205 to reflect the 53.90 percent EUW discussed in Issue 3. Therefore, staff recommends a chemicals expense of $6,595 for water and $7,200 for wastewater.

Contractual Services – Professional (731)

The Utility recorded contractual services – professional expenses of $675 for wastewater. Audit staff reduced this amount by $675 due to the lack of supporting documentation. Therefore, staff recommends a contractual services – professional wastewater expense of $0.

Contractual Services – Accounting (632/732)

The Utility recorded contractual services – accounting expenses of $41,750 for water and $41,750 for wastewater. Audit staff increased both of these expenses by $6,250 to reflect the correct invoiced contractual services amount. Additionally, staff decreased these accounts by $48,000 for water and $48,000 for wastewater to reflect the reclassification of the "Accounting and Operations Manager" expense from contractual services to salaries and wages - employees. Therefore, staff recommends contractual services – accounting expenses of $0 for water and $0 for wastewater.

Contractual Services – Legal (633/733)

The Utility recorded contractual services – legal expenses of $49,529 for water and $49,529 for wastewater. Audit staff reduced each account by $40,722 to reflect actual contractual amounts and to remove legal expenses from a past proceeding.[47] Additionally, staff removed $1,420 from water and $1,420 from wastewater to reflect the removal of out-of-test-year expenses. Staff's adjustments result in a total decrease of $42,142 to both water and wastewater. Therefore, staff recommends contractual services – legal expenses of $7,387 for water and $7,387 for wastewater.

Contractual Services – Testing (635/735)

The Utility recorded contractual services – testing expenses of $17,747 for water and $33,793 for wastewater. Audit staff reduced the accounts by $7,092 for water and $26,689 for wastewater to

[47] Order No. PSC-2024-0292-CO-WS, issued August 2, 2024, in Docket No. 20220142-WS, *In Re: Application for transfer of water and wastewater facilities and Certificate Nos. 589-W and 507-S from Grenelefe Resort Utility, Inc. to NC Real Estate Projects, LLC d/b/a Grenelefe Utility, in Polk County.*

reflect actual invoices recorded for the test year. Therefore, staff recommends a contractual services – testing expense of $10,655 for water and $7,104 for wastewater.

Contractual Services – Other (636/736)

The Utility recorded contractual services – other expenses of $329,390 for water and $334,095 for wastewater. Audit staff reduced these amounts by $24,472 for water and $100,823 for wastewater to reflect actual invoices recorded for the test year. Additionally, staff removed $7,910 for water and $7,910 for wastewater to reflect the removal of out-of-test-year expenses. Staff's adjustments result in a total decrease of $32,382 to water and $108,733 to wastewater. Therefore, staff recommends contractual services – other expense of $297,008 for water and $225,362 for wastewater.

Insurance Expense – Vehicle (656/756)

The Utility recorded insurance expense – vehicle amounts of $2,153 for water and $2,154 for wastewater. Audit staff reclassified these amounts to insurance expense – general liability as it reflects property insurance for plant and not vehicles. Therefore, staff recommends an insurance expense – vehicle expense of $0 for water $0 for wastewater.

Insurance Expense – General Liability (657/757)

The Utility recorded an insurance expense – general liability of $1,375 for water $1,375 for wastewater. Audit Staff increased this figure by $2,153 for water and $2,154 for wastewater to reflect the reclassification of expenses from insurance expense – vehicle to insurance expense – general liability. Therefore, staff recommends a general liability insurance expense of $3,528 for water and $3,529 for wastewater.

Rate Case Expense (665/765)

The Utility did not record a rate case expense for water or wastewater. 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 $6,203. Staff calculated the distance from the Utility to Tallahassee as 273 miles. Based on the 2025 Internal Revenue Service business mileage rate of $0.70, staff calculated a round-trip travel and lodging expense to the Commission Conference of $582.[48] Additionally, the Utility paid a filing fee of $1,000 for water $1,000 for wastewater.

On December 15, 2025, the Utility submitted invoices for additional rate case expense including legal expenses and consulting fees.[49] The summary of actual expenses attached to the invoices reflect additional legal expense of $4,360, $10,840, and $12,720 for the months of September 2025, October 2025, and November 2025, respectively. The Utility also incurred consulting fees of $3,300 for the period of August 22, 2025 through November 30, 2025. The Utility further included an estimated rate case expense of $24,500. Staff relied on costs that were supported by documentation at the time of review; therefore, staff did not include the estimated portion. As such, staff included $31,220 for legal and consulting fees as part of the rate case expense. The non-filing portion of the rate case expense is $23,714 for water and $14,291 for wastewater.

[48] https://www.irs.gov/newsroom/irs-increases-the-standard-mileage-rate-for-business-use-in-2025-key-rate-increases-3-cents-to-70-cents-per-mile
[49] Document No. 00027-2026, filed January 5, 2026, in Docket No. 20250023-WS.

Staff recommends a total rate case expense, consisting of noticing costs, travel and lodging expenses, and filing fee of $24,714 for water and $15,291 for wastewater, which amortized over four years is $6,163 for water and $3,813 for wastewater. Therefore, staff recommends a total annual rate case expense of $6,163 for water and $3,813 for wastewater.

Bad Debt Expense (670/770)

The Utility recorded $0 bad debt for both water and wastewater in the test year. In its three most recent Annual Reports (2022, 2023, and 2024), the Utility reported bad debt expenses of $0 in all three years. However, in response to staff's third data request, the Utility responded that it does in fact have accounts in delinquency.[50] Thus, staff believes it is appropriate to include a level of bad debt expense in its revenue requirements. It is Commission practice to use a percentage of total revenues to determine bad debt expense when a three-year average is not available or reliable.[51] As such, staff recommends a bad debt expense of one percent of total revenues, or $2,915 for water and $2,540 for wastewater.

Miscellaneous Expense (675)

The Utility recorded miscellaneous expenses of $12,425 for water. Audit staff removed the $12,425 for water to reflect a lack of supporting documentation. Therefore, staff recommends a miscellaneous expense amount of $0 for water.

Operation and Maintenance Expense Summary

The Utility recorded test year O&M expenses of $519,155 for water and $611,936 for wastewater. Based on the above adjustments, staff recommends the O&M expense be reduced by $73,210 for water and $157,738 for wastewater. This results in a total O&M expense of $445,945 for water and $454,198 for wastewater. Staff's recommended adjustments to O&M are shown on Schedule No. 3-D for water and Schedule 3-E for wastewater.

Depreciation Expense

The Utility recorded depreciation expenses of $77,773 for water and $43,871 for wastewater. Based on the depreciation rates prescribed in Rule 25-30.140, F.A.C., audit staff decreased these amounts by $21,007 for water and $8,378 for wastewater. Additionally, to account for pro forma additions, staff increased depreciation expenses by $58,143 for water and $47,694 for wastewater. This results in a net increase to a depreciation expense of $37,136 for water and $39,316 for wastewater. Therefore, staff recommends a depreciation expense of $114,909 for water and $83,187 for wastewater.

Amortization of CIAC

The Utility recorded CIAC amortization expenses of $45,823 for water and $22,184 for wastewater. Audit staff decreased the amounts by $3,639 for water and $10,248 for wastewater to reflect amortization expense based on depreciation rates specific to the related plant accounts. Therefore, staff recommends CIAC amortization expenses of $42,184 for water and $11,936 for wastewater.

[50] Document No. 06464-2025, filed July 17, 2025, in Docket No. 20250023-WS.
[51] Order No. PSC-09-0375-PAA-GU, issued May 27, 2009, in Docket No. 20080366-GU, *In Re: Petition for rate increase by Florida Public Utilities Company.*

Capital Amortization

As discussed in Issue 4, staff recommends a capital recovery schedule of $6,436 for water and $80,115 for wastewater over a 10-year amortization period. The corresponding annual amortization expense is $644 for water and $8,011 for wastewater.

Therefore, staff recommends the total annual amortization expense, reflecting CIAC and capital amortization expense, is $41,540 for water and $3,925 for wastewater.

Taxes Other Than Income (TOTI)

The Utility recorded TOTI of $20,254 for water and $14,882 for wastewater which includes property taxes, payroll taxes, and regulatory assessment fees (RAFs). Audit staff decreased TOTI by $3,902 for water and by $3,580 for wastewater to reflect actual invoiced amounts for the test year. Staff increased TOTI by $15,119 for water and $10,071 for wastewater to reflect property taxes associated with pro forma plant additions. These amounts are net of property tax reductions associated with the pro forma plant retirements.

Based on revenues discussed in Issue 6, TOTI should be increased by $616 for water and $1,595 for wastewater to reflect a RAF rate of 4.5 percent applied to the change in revenues.

As discussed in Issue 9, staff recommends revenues be increased by $447,911 for water and $433,611 for wastewater 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 $20,156 for water and $19,513 for wastewater to reflect a RAF rate of 4.5 percent of the change in revenues. Staff's adjustments result in a total increase of $31,989 to water and $27,599 to wastewater. Therefore, staff recommends a TOTI of $52,242 for water and $42,481 for wastewater.

Total Operating Expenses Summary

The Utility recorded operating expenses of $571,359 for water and $648,505 for wastewater. The application of staff's recommended adjustments to the Utility's operating expenses results in a total operating expense of $571,555 for water and $575,941 for wastewater. Operating expenses are shown on Schedule No. 3-A for water and Schedule 3-B for wastewater, and the related adjustments are shown on Schedule No. 3-C.

Issue 8: Does Grenelefe meet the criteria for application of the operating ratio methodology?

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

Staff Analysis: Rule 25-30.4575(2), F.A.C., provides 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 the use of the operating ratio methodology does not change the Utility's qualification for a SARC.

With respect to Grenelefe, staff has recommended a rate base of $1,866,312 for water and $1,241,585 for wastewater. After removal of rate case expense, staff has calculated an adjusted O&M expense of $439,767 for water and $450,375 for wastewater. Based on staff's preliminary recommended amounts, the Utility's rate bases are 424.39 percent and 275.68 percent of its adjusted O&M expense for water and wastewater, respectively. Based on this, the Utility does not qualify for application of the operating ratio methodology.

Issue 9: What is the appropriate revenue requirement for Grenelefe?

Recommendation: The appropriate revenue requirement is $739,456 for water and $687,638 for wastewater, resulting in an annual increase of $447,911 (153.63 percent) for water and $433,611 (170.69 percent) for wastewater. (Cohn)

Staff Analysis: Grenelefe should be allowed an annual increase of $447,911 (153.63 percent) for water and $433,611 (170.69 percent) for wastewater. This should allow the Utility the opportunity to recover its expenses and earn a 9.00 percent return on its respective rate base. The calculations for revenue requirement are shown on Table 9-1 and Table 9-2.[52]

Table 9-1
Water Revenue Requirement

Water Rate Base	$1,866,312
Rate of Return (%)	× 9.00%
Return On Rate Base ($)	$167,900
Water O&M Expense	445,945
Depreciation Expense	114,909
Amortization	(41,540)
Taxes Other Than Income	52,242
Revenue Requirement	$739,456
Less Test Year Revenues	$291,545
Annual Increase	$447,911
Percent Increase	153.63%

Source: Staff calculations.

Table 9-2
Wastewater Revenue Requirement

Wastewater Rate Base	$1,241,585
Rate of Return (%)	× 9.00%
Return On Rate Base ($)	$111,698
Wastewater O&M Expense	454,198
Depreciation Expense	83,187
Amortization	(3,925)
Taxes Other Than Income	42,481
Revenue Requirement	$687,638
Less Test Year Revenues	$254,027
Annual Increase	$433,611
Percent Increase	170.69%

Source: Staff calculations.

[52] Staff notes calculations may not compute due to rounding.

Issue 10: What are the appropriate rate structure and rates for Grenelefe's water and wastewater systems?

Recommendation: The recommended rate structure and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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 within 10 days of the date of the notice. (Sibley)

Staff Analysis:

Water Rates

Grenelefe is located in Polk County within the SWFWMD. The Utility provides water service to 1,213 residential customers, with 78 of the customers having a separate meter for irrigation. There are also 192 general service customers, which includes 85 irrigation customers. According to the billing data, approximately 14 percent of the residential customer bills during the test year had zero gallons, which signifies a non-seasonal customer base. However, when seasonal customers are out of residence, they will continue to irrigate their lawns, which will distort the percentage of cumulative bills at the zero consumption level. Staff believes that the cumulative bills at the 1,000 gallon consumption level, which represents approximately 37 percent of the residential customer bills, indicates a moderate seasonal customer base. The average residential water demand is 2,706 gallons. The average water demand, excluding zero gallon bills, is 3,660 gallons per month. The Utility's current rate structure for the water system consists of a base facility charge (BFC) and a four-tier inclining block rate, which includes separate gallonage charges for non-discretionary and discretionary usage for residential water customers. The rate blocks are: 1) 0-5,000 gallons; 2) 5,001-10,000 gallons; 3) 10,001-15,000 gallons; and 4) all usage in excess of 15,000 gallons. The general service rate structure consists of a monthly BFC and uniform gallonage charge.

Staff performed an analysis of the Utility's billing data in order to evaluate the appropriate rate structure for the residential water 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; (3) establish the appropriate discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

As mentioned above, the billing data indicates a moderate seasonal customer base coupled with low average consumption. The Utility's current BFC allocation is 64 percent, which exceeds the Commission's practice of recovering at least 50 percent of costs through the BFC for a seasonal customer base. In this case, staff recommends that the BFC allocation be reduced from 64 percent to 55 percent, which will minimize the rate impact at non-discretionary levels of consumption. Staff's recommended BFC allocation of 55 percent will also allow the Utility to maintain revenue stability and target customers that are using a higher levels of usage.

The average people per household served by the water system is 2.35;[53] therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 4,000 gallons per month.[54] Furthermore, staff evaluated whether the current rate structure is appropriate in this case. Based on staff's evaluation, there is very little discretionary usage above 15,000 gallons; therefore, staff believes the current rate structure is aggressive and should be changed. Staff recommends a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks are: (1) 0 – 4,000 gallons; 2) 4,000 – 10,000 gallons; 3) over 10,000 gallons per month. General service customers should be billed a BFC and a uniform gallonage charge.

Based on staff's recommended revenue increase of 173.6 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 10,711,000 gallons, resulting in anticipated average residential demand of 1,979 gallons per month. Staff recommends a 26.9 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are $2,074 for purchased power expense, $1,412 for chemical expense, and $164 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of $702,320.

Wastewater Rates

The Utility provides wastewater service to approximately 1,213 residential customers and 107 general service customers. Currently, the wastewater rate structure for residential customers consists of a monthly uniform BFC for all meter sizes and gallonage charge with an 8,000 gallonage cap. The general service customers are billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

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 that considers approximately the amount of water that may return to the wastewater system.

Currently, the Utility's BFC allocation is 60 percent of the wastewater revenue. Consistent with Commission practice, staff allocated 60 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants coupled with a moderate seasonal customer base. The Utility's current wastewater gallonage cap is set at 8,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. 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, 82 percent of the gallons are captured at the 6,000 gallon consumption level. Therefore, staff recommends that the wastewater gallonage

[53] Average persons per household may be found by following:
https://www.census.gov/quickfacts/fact/table/lakelandcityflorida/pst045224

cap be changed to 6,000 gallons. Staff also recommends that the general service gallonage charge continue to be 1.2 times greater than the residential gallonage charge, which is consistent with Commission practice.

In addition, based on the expected reduction in water demand described above, staff recommends that a repression adjustment also be made for wastewater. Because wastewater rates are calculated based on customers' water demand, if those customers' water demand is expected to decline, then the billing determinants used to calculate wastewater rates should also be adjusted. Based on the billing analysis for the wastewater system, staff recommends that a repression adjustment of 680,794 gallons to reflect the anticipated reduction in water demand be used to calculate wastewater rates. Staff recommends a 2.25 percent reduction in total residential consumption and corresponding reductions of $ $1,366 for sludge removal, $1,682 for purchased power, $162 for chemicals and $144 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $684,283.

Conclusion

The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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 within 10 days of the date of the notice.

Issue 11: What are the appropriate initial customer deposits for Grenelefe?

Recommendation: The appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be $72 and $89 for water and wastewater. Additionally, non-potable water customer deposits should be removed. 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 water. The approved initial customer deposits should be effective for 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 deposits until authorized to change them by the Commission in a subsequent proceeding. (Sibley)

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.[55] Currently, the Utility has an initial customer deposit of $19.80 and $25.56 for 5/8 inch x 3/4 inch meters for potable water and wastewater, respectively. The Utility also has non-potable water customer deposits of $16.48 for 5/8 inch x 3/4 inch meters; $100.46 for the 1 inch meter; $110.38 for the 1.5 inch meter; $224.90 for 2 inch meter; and two times the average bill for all other general service meter sizes. However, the Utility no longer charges these non-potable water customer deposits, and thus staff recommends removal of these non-potable customer deposits from the Utility's tariff. Furthermore, the current customer deposit amounts for residential do not cover two months' average bills using staff's recommended rates. The Utility's anticipated post-repression average monthly residential usage for water is 2,512 gallons per customer. The Utility's anticipated post-repression average monthly residential usage for wastewater is 2,075 gallons per customer. Therefore, the average residential monthly bill is $35.66 for water service and $44.55 for wastewater service.

Conclusion

Staff recommends that the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be $72 and $89 for water and wastewater. Staff recommends that the non-potable water customer deposits should be removed. 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 water. The approved initial customer deposits should be effective for 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 deposits until authorized to change them by the Commission in a subsequent proceeding.

[55] 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.*

Issue 12: Should Grenelefe's requested service availability charges be approved?

Recommendation: The service availability charges requested by Grenelefe should not be approved. Staff recommends service availability charges should be set as a plant capacity charge of $147 for water and $1,138 for wastewater. The Utility should file a revised tariff sheet to reflect the Commission-approved charges. The approved charges shall be effective for connections made on or after the stamped approval date on the tariff sheet. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by property owners who requested service beginning 12 months prior to the establishment of this docket. The Utility shall provide proof of noticing within 10 days of rendering the approved notice. (Hudson)

Staff Analysis: Historically, the Utility's water service availability charges consisted of a meter installation charge of $65 and a service line extension and tap-in charge at actual cost. As part of a certificate transfer docket, Grenelefe was approved for an increase in its meter installation charge to $600.[56] There have been no approved service availability charges for the wastewater system. As mentioned in the case background, the Commission approved Grenelefe's requested interim service availability charges of $2,402 for water and $7,434 for wastewater subject to refund. However, the Utility did not implement the charges.

By letter, dated October 13, 2025, Grenelefe revised its requested service availability charges to $1,126 for water and $9,802 for wastewater.[57] The Utility did not categorize its service availability charge request (i.e., main extension or plant capacity charge). A main extension charge is for the purpose of covering all or part of the Utility's capital costs in extending its off-site water or wastewater facilities to provide service to a specified property, whereas a plant capacity charge is for the purpose of covering all or a part of a Utility's capital costs in construction or expansion of treatment facilities.

In a 2003 transfer of majority organizational control docket, the Utility did not have adequate books and records to provide the CIAC balances. As result, in that docket, the Commission imputed, per Rule 25-30.570, F.A.C., the cost of Grenelefe's water transmission and distribution lines and wastewater collection lines to reflect the appropriate CIAC.[58] As a result, the Utility is unable to receive a main extension charge. Further, Grenelefe did not propose any pro forma plant additions for lines in this SARC. Therefore, staff has conducted an evaluation of Grenelefe's request to determine whether a plant capacity charge is appropriate.

Rule 25-30.580, F.A.C., establishes guidelines for designing service availability charges. Pursuant to the Rule, the maximum amount of CIAC, net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity. The minimum amount of CIAC

[56] Order No. PSC-2024-0228-PAA-WS, issued July 8, 2024, in Docket No. 20220142-WS, *In re: Application for transfer of water and wastewater facilities and Certificate Nos. 589-W and 507-S from Grenelefe Resort Utility, Inc. to NC Real Estate Projects, LLC d/b/a Grenelefe Utility, in Polk County.*
[57] Document No. 14563-2025, filed October 14, 2025, in Docket No. 20250023-WS.
[58] Order No. PSC-05-0142-PAA-WS, issued February 7, 2005, in Docket No. 20030123-WS, *In re: Application for transfer of majority organizational control of Sports Shinko Utility, Inc. d/b/a Grenelefe Utilities in Polk County and for name change on Certificate Nos. 589-W and 507-S to Grenelefe Resort Utility, Inc.*

should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution system and sewage collection systems.

Design Capacity

Design capacity refers to the total capacity of the Utility's facilities and plant. The cost recorded in the Utility's books represents the total cost for construction of the facilities and plant and its total and full capacity. In justifying its requested charges, the Utility has proposed using the permitted capacity of the facilities and plant, which is less than the total capacity for both water and wastewater. This is inconsistent with the Commission Rule and the matching principle. The permitted capacity does not align with the total cost of the facilities. Developing service availability charges based on the design capacity allows customers to pay an equitable share of the total costs of the facilities and plant.

The water treatment facilities have a capacity of 4,320,000 gpd, which equates to a design capacity of 12,342 equivalent residential connections (ERCs) based on an ERC of 350 gpd. Grenelefe indicated that it anticipates growth of 200 ERCs per year, which would result in the Utility reaching design capacity in approximately 55 years. Due to the length of time before the water system reaches design capacity, staff believes it is unrealistic to set the charges at complete design capacity.

In a comparable situation, the Commission determined that a shortened period of 10 years was appropriate for calculating service availability charges.[59] A 10-year shortened period would result in Grenelefe foreseeably connecting an additional 2,000 ERCs. Based on the maximum average flow, the Utility is currently serving 1,408 ERCs (492,917/350). As a result, staff recommends that the total ERCs for calculating the appropriate plant capacity charge be set at 3,408 (1,408 + 2,000). The adjusted ERCs will allow Grenelefe to achieve a reasonable contribution level. The wastewater treatment facilities have a capacity of 680,000 gpd, which equates to a design capacity of 2,428 ERCs based on an ERC of 280 gpd. Based on the Utility's growth projections of 200 ERCs per year, the wastewater system will reach design capacity in approximately 10 years.

Minimum Contribution Level

Pursuant to Rule 25-30.580, F.A.C., "[t]he minimum amount of [CIAC] should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution system and sewage collection systems." For water, staff's recommended utility plant in service plus land is $4,335,678 and the transmission and distribution mains, including services, are $2,175,467, resulting in a minimum contribution level of 50.18 percent ($2,175,467/$4,335,678). For wastewater, staff's recommended utility plant in service plus land is $3,971,213 and the collection lines, including services, are $899,422, resulting in a minimum contribution level of 22.65 percent ($899,422/$3,971,213). Based on staff's recommended rate base Grenelefe's contribution level is 12.07 percent for water and 19.89 percent for wastewater. Both the water and wastewater systems are below the minimum guideline pursuant to the referenced Rule.

[59] Order No. PSC-93-1732-FOF-WS, issued December 1, 1993, in Docket No. 19930171, *In re: Application for approval of service availability Charges in Martin County by Indiantown Company, Inc.*

Plant Capacity Charge

Water

In order to determine the plant capacity charge, staff calculated the average cost per ERC for the water treatment plant per Commission precedent.[60] Staff believes that using the average costs per ERC will result in reasonable service availability charges. Staff calculated the total treatment plant cost of $502,413. Staff then divided this amount by 3,408 (which represents total capacity, as discussed above, in ERCs of the treatment plant). This calculation results in an average plant capacity cost per ERC of approximately $147, as shown on Schedule No. 5. The corresponding plant capacity charge for "all others-per gallon/day" would be $.42 ($147/350 gpd). Staff recommends a plant capacity charge of $147. The plant capacity charge of $147, along with its prior approved meter installation charge of $600, will allow Grenelefe to be at a 46.41 percent contribution level in 10 years. Staff recognizes that the anticipated contribution level is less than the minimum guideline pursuant to the referenced Rule. However, the amount of the charge is limited to cost in the associated accounts for a plant capacity charge.

Wastewater

The total treatment plant is $2,763,562. Staff then divided this amount by 2,428 (which represents total capacity, as discussed previously, in ERCs for the treatment plant). This calculation results in an average plant capacity cost per ERC of approximately $1,138, as shown on Schedule No. 5. This charge would result in the wastewater system being over-contributed at build out. However, it is anticipated that the Utility will undertake plant upgrades over the next couple of years which would decrease the contribution level at build out. Therefore, staff believes $1,138 is an appropriate plant capacity charge at this time. The corresponding plant capacity charge for "all others-per gallon/day" would be $4.06 ($1,138/280 gpd).

Staff's recommended charges are significantly lower than the Utility's requested service availability charges due to staff's recommended denial of some of the requested pro forma plant additions and the differences in plant accounts and capacity used to calculate the charges. Specifically, for water, Grenelefe included plant account no. 334 – Meters and Meter Installations in its calculation, which is part of transmission and distribution plant and is not appropriate. For meter replacements, the Commission has capitalized the cost and the Utility earns a return on its investment or the Commission has allowed the costs of a certain number meter replacements per year to be expensed. [61] In this case, the cost to replace the meter have been capitalized. The cost of system-wide meter replacements is not recovered from new customers through a service availability charge.

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[60] Orders Nos. PSC-12-0435-PAA-WU, issued August 22, 2012, and Amendatory Order PSC-12-0435A-PAA-WU, issued September 11, 2012, in Docket No. 20110200-WU, *In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.* and Order No. PSC-00-1528-PAA-WU, issued August 23, 2000, in Docket No. 19991437-WU, *In re: Application for increase in water rates in Orange County by Wedgefield Utilities, Inc.*

[61] Order PSC-2022-0432-PAA-WS, issued December 19, 2022, in Docket No. 20220032-WS, *In re: Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd.* and Order No. PSC-15-0592-PAA-WU, issued December 30, 2015, in Docket No. 20140175-WU, *In re: Application for staff-assisted rate case in Pasco County by Crestridge Utilities, LLC.*

The recommended plant capacity charges are only applicable to new customers. New customers will be required to pay the staff recommend plant capacity charges. In addition, new customers are also responsible for connecting its service lateral to the water and wastewater system consistent with the Utility's existing service availability policy.

Conclusion

Based on the above, the service availability charges requested by Grenelefe should not be approved. Staff recommends service availability charges should be set as a plant capacity charge of $147 for water and $1,138 for wastewater. The Utility should file a revised tariff sheet to reflect the Commission-approved charges. The approved charges shall be effective for connections made on or after the stamped approval date on the tariff sheet. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by property owners who requested service beginning 12 months prior to the establishment of this docket. The Utility shall provide proof of noticing within 10 days of rendering the approved notice.

Issue 13: 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?

Recommendation: The rates should be reduced as shown on Schedule Nos. 4-A and 4-B, 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. Grenelefe 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. (Cohn)

Staff Analysis: Section 367.081, F.S., requires that the rates be reduced immediately following the expiration of the 4-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, the associated return in working capital, and the gross-up for RAFs. This results in a reduction of $6,470 for water and $4,003 for wastewater.

Staff recommends that the rates should be reduced, as shown on Schedule Nos. 4-A and 4-B, 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. Grenelefe 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.

Issue 14: Should the recommended rates be approved for Grenelefe on temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

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. Grenelefe 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 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. Prior to implementation of any temporary rates, the Utility should provide appropriate 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 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. (Cohn)

Staff Analysis: This recommendation proposes an increase in water rates. A timely protest might delay what may be a justified 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 recommended rates be approved as temporary rates. Grenelefe 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 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. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility 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 a bond or letter of credit in the amount of $306,331 for water and $296,552 for wastewater. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, 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.

If the Utility chooses a letter of credit as a security, it should contain the following conditions:

1) The letter of credit is irrevocable for the period it is in effect, and,

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; and,

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 Consentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments; and,

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 security, 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's Office of Commission Clerk no later than the 20th of each 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.

Issue 15: Should Grenelefe be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA) primary accounts?

Recommendation: Yes. Grenelefe should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. The Utility should submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, a notice providing good cause should be filed not less than seven days prior to the deadline requesting an extension. Upon providing a notice of good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Cohn)

Staff Analysis: Grenelefe should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. The Utility should submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, a notice providing good cause should be filed not less than seven days prior to the deadline requesting an extension. Upon providing a notice of good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 16: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. In addition, this docket should remain open until (1) the report with the summary of the results of the customer meeting and (2) the report detailing the status of each of the Commission approved pro-forma projects has been submitted by the Utility. Once these actions are complete, this docket should be closed administratively. (Imig)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. In addition, this docket should remain open until (1) the report with the summary of the results of the customer meeting and (2) the report detailing the status of each of the Commission approved pro-forma projects has been submitted by the Utility. Once these actions are complete, this docket should be closed administratively.

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY TEST YEAR ENDED 10/31/2024 SCHEDULE OF WATER RATE BASE			SCHEDULE NO. 1-A DOCKET NO. 20250023-WS
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	$3,212,594	$1,120,084	$4,332,678
2. LAND & LAND RIGHTS	7,000	(4,000)	3,000
3. ACCUMULATED DEPRECIATION	(2,926,284)	643,189	(2,283,095)
4. CIAC	(2,302,685)	0	(2,302,685)
5. ACCUMULATED AMORTIZATION OF CIAC	2,191,692	(136,362)	2,055,330
6. CAPITAL RECOVERY	0	6,436	6,436
7. ACCUMLATED CAPITAL RECOVERY	0	(322)	(322)
8. WORKING CAPITAL ALLOWANCE	$0	$54,971	$54,971
WATER RATE BASE	$182,317	$1,683,995	$1,866,312

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 1-B**
TEST YEAR ENDED 10/31/2024 **DOCKET NO. 20250023-WS**
SCHEDULE OF WASTEWATER RATE BASE

DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	$3,290,936	$630,877	$3,921,813
2. LAND & LAND RIGHTS	49,400	0	49,400
3. ACCUMULATED DEPRECIATION	(3,149,184)	562,502	(2,586,682)
4. CIAC	(1,051,361)	0	(1,051,361)
5. ACCUMULATED AMORTIZATION OF CIAC	872,227	(96,218)	776,009
6. CAPITAL RECOVERY	0	80,115	80,115
7. ACCUMULATED CAPITAL RECOVERY	0	(4,006)	(4,006)
8. WORKING CAPITAL ALLOWANCE	$0	$56,297	$56,297
WASTEWATER RATE BASE	$12,018	$1,229,567	$1,241,585

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 1-C**

TEST YEAR ENDED 10/31/2024 **DOCKET NO. 20250023-WS**

ADJUSTMENTS TO RATE BASE

		WATER	WASTEWATER
	UTILITY PLANT IN SERVICE		
1.	To reflect auditing adjustments.	($85,059)	($187,115)
2.	To reflect averaging adjustments.	(9,386)	0
3.	To reflect pro forma additions.	1,758,389	949,844
4.	To reflect pro forma retirements.	(543,861)	(131,852)
	Total	$1,120,084	$630,877
	LAND AND LAND RIGHTS		
	To reflect the appropriate land balance.	($4,000)	$0
	ACCUMULATED DEPRECIATION		
1.	To reflect auditing adjustments.	$127,254	$382,576
2.	To reflect averaging adjustments.	30,217	95,769
3.	To reflect pro forma adjustments.	485,718	84,158
	Total	$643,189	$562,502
	ACCUMULATED AMORTIZATION OF CIAC		
1.	To reflect auditing adjustments.	($115,270)	($90,250)
2.	To reflect averaging adjustments.	(21,092)	(5,968)
	Total	($136,362)	($96,218)
	CAPITAL RECOVERY		
	To reflect staff adjustments.	$6,436	$80,115
	ACCUMULATED CAPITAL RECOVERY		
	To reflect staff adjustments.	($322)	($4,006)
	WORKING CAPITAL ALLOWANCE		
	To reflect 1/8 of test year O&M expenses.	$54,971	$56,297

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 2**
TEST YEAR ENDED 10/31/2024 **DOCKET NO. 20250023-WS**
SCHEDULE OF CAPITAL STRUCTURE

	CAPITAL	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE AFTER ADJUST	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	LONG-TERM DEBT	$1,431,854	$2,305,092	$3,736,946	($1,107,043)	$2,629,904	74.94%	8.52%	6.38%
2.	COMMON EQUITY	469,312	768,364	1,237,676	(366,652)	871,024	24.82%	10.51%	2.61%
3.	CUSTOMER	11,804	0	11,804	(3,497)	8,307	0.24%	2.00%	0.00%
	TOTAL CAPITAL	$1,912,970	$3,073,456	$4,986,426	($1,878,529)	$3,107,897	100.00%		9.00%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.51%	11.51%
OVERALL RATE OF RETURN	8.75%	9.24%

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 3-A**
TEST YEAR ENDED 10/31/2024 **DOCKET NO. 20250023-WS**
SCHEDULE OF WATER OPERATING INCOME

	TEST YEAR PER UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST YEAR	ADJUST FOR INCREASE	REVENUE REQUIREMENT
1. **TOTAL OPERATING REVENUES**	$364,578	($73,033)	$291,545	$447,894 153.63%	$739,439
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$519,155	($73,225)	$445,930		$445,930
3. DEPRECIATION	77,773	37,136	114,909		114,909
4. AMORTIZATION (NET)	(45,823)	4,283	(41,540)		(41,540)
5. TAXES OTHER THAN INCOME	20,254	11,832	32,086	20,155	52,241
TOTAL OPERATING EXPENSES	$571,359	($19,975)	$551,384	$20,155	$571,539
7. **OPERATING INCOME / (LOSS)**	($206,781)		($259,839)		$167,900
8. **WATER RATE BASE**	$182,317	$1,683,995	$1,866,312		$1,866,312
9. **RATE OF RETURN**					9.00%

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY TEST YEAR ENDED 10/31/2024 SCHEDULE OF WASTEWATER OPERATING INCOME					SCHEDULE NO. 3-B DOCKET NO. 20250023-WS
	TEST YEAR PER UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST YEAR	ADJUST FOR INCREASE	REVENUE REQUIREMENT
1. **TOTAL OPERATING REVENUES**	$245,208	$8,819	$254,027	$433,601 170.69%	$687,628
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$611,936	($157,748)	$454,188		$454,188
3. DEPRECIATION	43,871	39,316	83,187		83,187
4. AMORTIZATION (NET)	(22,184)	18,259	(3,925)		(3,925)
5. TAXES OTHER THAN INCOME	14,882	8,086	22,968	19,512	42,480
TOTAL OPERATING EXPENSES	$648,505	($92,087)	$556,419	$19,512	$575,931
7. **OPERATING INCOME / (LOSS)**	($403,297)		($302,392)		$111,698
8. **WASTEWATER RATE BASE**	$12,018	$1,229,567	$1,241,585		$1,241,585
9. **RATE OF RETURN**					9.00%

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 3-C**
TEST YEAR ENDED 10/31/2024 **DOCKET NO. 20250023-WS**
ADJUSTMENTS TO OPERATING INCOME

		WATER	WASTEWATER
	OPERATING REVENUES		
1.	To reflect audit adjustments to service revenues.	($120,203)	($26,632)
2.	To reflect audit adjustment to misc. revenues.	33,486	0
3.	To reflect appropriate test year service revenues.	13,684	35,451
	Total	($73,033)	$8,819
	OPERATION AND MAINTENANCE EXPENSE		
1.	Salaries and Wages – Employees (601/701)		
	To reflect appropriate common cost allocations.	$59,001	$36,099
2.	Salaries and Wages – Officers and Directors (603/703)		
	a. To reflect appropriate common cost allocations.	$42,993	$25,910
3.	Sludge Removal (711)		
	To reflect an auditing adjustment.		($25,330)
4.	Purchased Power (615/715)		
	a. To reflect auditing adjustments.	($24,846)	$19,914
	b. To reflect actual invoices received.	0	(29)
	c. To reflect staff's EUW adjustment.	(11,322)	0
	Subtotal	($36,168)	$19,885
5.	Chemicals Expense (618/718)		
	a. To reflect auditing adjustments.	($2,134)	($677)
	b. To reflect staff's EUW adjustment.	(10,205)	0
		($12,339)	($677)
6.	Contractual Services – Professional (631/731)		
	a. To reflect auditing adjustments.	$0	($675)
7.	Contractual Services – Accounting (632/732)[62]		
	a. To reflect auditing adjustments.	$6,250	$6,250
	b. To reflect salary transfers.	(48,000)	(48,000)
	Subtotal	($41,750)	($41,750)

[62] Staff notes that the total amount transferred to accounts 601/701 is ($48,000), respectively.

8.	Contractual Services – Legal (633/733)		
	a. To reflect auditing adjustments.	($40,722)	($40,722)
	b. To remove out of test year expenses.	(1,420)	(1,420)
	Subtotal	($42,142)	($42,142)
9.	Contractual Services – Testing (635/735)		
	To reflect appropriate common cost allocations.	($7,092)	($26,689)
10.	Contractual Services – Other (636/736)		
	a. To reflect auditing adjustments.	($24,472)	($100,823)
	b. To remove expenses outside the test year.	(7,910)	(7,910)
	Subtotal	($32,382)	($108,733)
11.	Insurance Expense – Vehicle (656/756)		
	To reflect auditing adjustments.	($2,153)	($2,154)
12.	Insurance Expense – General Liability (657/757)		
	To reflect auditing adjustments.	$2,153	$2,154
13.	Rate Case Expense (665/765)		
	To reflect 1/4 of rate case expense.	$6,163	$3,813
14.	Bad Debt Expense (670/770)		
	To reflect 2.0 percent of test year revenues.	$2,915	$2,540
15.	Miscellaneous Expense (675)		
	To reflect an auditing adjustment.	($12,425)	
	TOTAL OPERATION AND MAINTENANCE ADJ.	($73,210)	($157,738)
	DEPRECIATION EXPENSE		
1.	To reflect appropriate depreciation expenses.	($21,007)	($8,378)
2.	To reflect pro forma additions.	58,143	47,694
	Subtotal	$37,136	$39,316
	AMORTIZATION EXPENSE		
1.	To reflect adjustments to CIAC amortization expense.	$3,639	$10,248
2.	To reflect capital amortization.	644	8,011
	Subtotal	$4,283	$18,259
	TAXES OTHER THAN INCOME		
1.	To reflect auditing adjustments.	($3,902)	($3,580)
2.	To reflect appropriate test year RAFs.	616	1,595
3.	To reflect appropriate RAFs on revenue requirement increase.	20,156	19,513
4.	To reflect property taxes associated with pro forma additions.	15,119	10,071
	Subtotal	$31,989	$27,599
	TOTAL OPERATING EXPENSE ADJUSTMENTS	$196	($72,565)

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 3-D**
TEST YEAR ENDED 10/31/2024 **DOCKET NO. 20250023-WS**
ANALYSIS OF WATER O&M EXPENSE

ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
601	Salaries and Wages - Employees	$0	$59,001	$59,001
603	Salaries and Wages - Officers and Directors	0	42,993	42,993
615	Purchased Power	45,852	(36,168)	9,684
618	Chemicals	18,934	(12,339)	6,595
632	Contractual Services - Accounting	41,750	(41,750)	0
633	Contractual Services - Legal	49,529	(42,142)	7,387
635	Contractual Services - Testing	17,747	(7,092)	10,655
636	Contractual Services - Other	329,390	(32,382)	297,008
656	Insurance Expense - Vehicle	2,153	(2,153)	0
657	Insurance Expense - General Liability	1,375	2,153	3,528
665	Rate Case Expense	0	6,163	6,163
670	Bad Debt Expense	0	2,915	2,915
675	Miscellaneous Expenses	12,425	(12,425)	0
	Total O&M Expense	$519,155	($73,225)	$445,930
	Working Capital is 1/8 of O&M Less RCE			$54,971

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 3-E**
TEST YEAR ENDED 10/31/2024 **DOCKET NO. 20250023-WS**
ANALYSIS OF WASTEWATER O&M EXPENSE

ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
701	Salaries and Wages - Employees	$0	$36,099	$36,099
703	Salaries and Wages - Officers and Directors	0	25,910	25,910
711	Sludge Removal Expense	85,930	(25,330)	60,600
715	Purchased Power	54,758	19,885	74,643
718	Chemicals	7,877	(677)	7,200
731	Contractual Services - Professional	675	(675)	0
732	Contractual Services - Accounting	41,750	(41,750)	0
733	Contractual Services - Legal	49,529	(42,142)	7,387
735	Contractual Services - Testing	33,793	(26,689)	7,104
736	Contractual Services - Other	334,095	(108,733)	225,362
756	Insurance Expense - Vehicle	2,154	(2,154)	0
757	Insurance Expense - General Liability	1,375	2,154	3,529
765	Rate Case Expense	0	3,813	3,813
770	Bad Debt Expense	0	2,540	2,540
775	Miscellaneous Expenses	0	0	0
	Total O&M Expense	$611,936	($157,748)	$454,188
	Working Capital is 1/8 of O&M Less RCE			$56,297

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 4-A**
TEST YEAR ENDED 10/31/24 **DOCKET NO. 20250023-WS**
MONTHLY WATER RATES

	UTILITY CURRENT RATES	UTILITY INTERIM RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
Base Facility Charge by Meter Size				
5/8" x 3/4"	$6.81	$8.04	$15.87	$0.15
3/4"	$10.22	$12.06	$23.81	$0.22
1"	$17.03	$20.10	$39.68	$0.37
1-1/2"	$34.05	$40.20	$79.35	$0.73
2"	$54.48	$64.32	$126.96	$1.17
3"	$108.96	$128.64	$253.92	$2.34
4"	$170.25	$201.00	$396.75	$3.65
6"	$340.50	$402.00	$793.50	$7.30
Charge per 1,000 gallons - Residential				
0 - 5,000 gallons	$1.50	$1.77	N/A	N/A
5,001 - 10,000 gallons	$1.89	$2.23	N/A	N/A
10,001 - 15,000 gallons	$2.82	$3.33	N/A	N/A
Over 15,000 gallons	$3.75	$4.43	N/A	N/A
0 - 4,000 gallons	N/A	N/A	$7.88	$0.07
4,001 - 10,000 gallons	N/A	N/A	$9.85	$0.09
Over 10,000 gallons	N/A	N/A	$11.82	$0.11
Charge per 1,000 gallons - General Service	$2.09	$2.47	$8.04	$0.07
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
5,000 Gallons	$14.31	$16.89	$57.24	
10,000 Gallons	$23.76	$28.04	$106.49	
15,000 Gallons	$37.86	$44.69	$165.59	

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY TEST YEAR ENDED 10/31/24 MONTHLY WASTEWATER RATES			SCHEDULE NO. 4-B DOCKET NO. 20250023-WS	
	UTILITY CURRENT RATES	**UTILITY INTERIM RATES**	**STAFF RECOMMENDED RATES**	**4 YEAR RATE REDUCTION**
Residential Service				
All Meter Sizes	$9.98	$25.12	N/A	
Charge per 1,000 gallons (8,000 gallon cap)	$2.93	$7.38	N/A	
All Meter Sizes	N/A	N/A	$26.99	$0.16
Charge per 1,000 gallons (6,000 gallon cap)	N/A	N/A	$8.46	$0.05
General Service				
Base Facility Charge by Meter Size				
5/8" x 3/4"	$9.98	$25.12	$26.99	$0.16
3/4"	$14.97	$37.68	$40.49	$0.23
1"	$24.95	$62.80	$67.48	$0.39
1-1/2"	$49.90	$125.60	$134.95	$0.78
2"	$79.84	$200.96	$215.92	$1.25
3"	$159.68	$401.92	$431.84	$2.50
4"	$249.50	$628.00	$674.75	$3.91
6"	$499.00	$1,256.00	$1,349.50	$7.83
Charge per 1,000 gallons - General Service	$3.52	$8.86	$10.16	$0.06
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
2,000 Gallons	$15.84	$39.88	$43.91	
6,000 Gallons	$27.56	$69.40	$77.75	
8,000 Gallons	$33.42	$84.16	$77.75	

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY **SCHEDULE NO. 5**
TEST YEAR ENDED 10/31/2024 **DOCKET NO. 20250023-WS**
ANALYSIS OF PLANT CAPACITY CHARGES

WATER PLANT CAPACITY CHARGE

ACCT. NO.	ACCOUNT NAME	PLANT BALANCE
303	Land and Land Rights	$3,000
304	Structures and Improvements	$77,541
310	Power Generation Equipment	$106,760
311	Pumping Equipment	$307,212
320	Water Treatment Equipment	$7,900
		$502,413
Total Capacity in ERCs Plant is Capable of Serving		3,408
Total Treatment Plant		$502,413
Divided by Total Capacity in ERCs		3,408
Staff Recommended Plant Capacity Charge		**$147.00**

WASTEWATER PLANT CAPACITY CHARGE

ACCT. NO.	ACCOUNT NAME	PLANT BALANCE
353	Land and Land Rights	$49,400
354	Structures and Improvements	$92,590
371	Pumping Equipment	$920,645
380	Treatment and Disposal Equipment	$1,654,027
382	Outfall Sewer Lines	$46,900
		$2,763,562
Total Capacity in ERCs Plant is Capable of Serving		2,428
Total Treatment Plant		$2,763,562
Divided by Total Capacity in ERCs		2,428
Staff Recommended Plant Capacity Charge		**$1,138.00**