

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: August 22, 2025

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

FROM: Division of Engineering (Ramirez-Abundez, King, Ramos, Smith II) *ARA LS*
Division of Accounting and Finance (Cohn, Folkman, G. Kelley) *DA*
Division of Economics (Bruce, Sibley) *SA*
Office of the General Counsel (Imig, Augspurger) *ACH*

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.

-STAFF REPORT-

This Staff Report is preliminary in nature. The Commission staff's final recommendation will not be filed until after the customer meeting scheduled for September 15, 2025.

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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 1,200 water and wastewater customers. The Utility's service territory is located within the Southwest Florida Water Management District (SWFWMD). Grenelefe reported, in its 2024 Annual Report, net operating losses of \$197,676 for water and \$397,410 for wastewater.

Certificate Nos. 589-W (water) and 507-S (wastewater) were transferred to the Utility in Docket No. 20220142-WS.¹ Subsequently, on September 17, 2024, Grenelefe filed an application with the Commission for an amendment of its water and wastewater service territories. The Commission approved Grenelefe's certificate amendments on February 4, 2025, which included the addition of a new development of approximately 1,080 customers.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 and the official filing date of this SARC was established as February 4, 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 original request for interim service availability charges.⁴ Order No. PSC-2025-0072-PCO-WS, issued March 11, 2025, approved the Utility's interim rates.⁵ Subsequently, Grenelefe reinstated its request for interim service availability charges.⁶ The Commission is scheduled to address the Utility's requested service availability charges at the September 4, 2025 Commission Conference.

This Staff Report is a preliminary analysis of the Utility's books and records prepared by Commission staff to give customers and the Utility an advanced look at what staff may be proposing. The final recommendation to the Commission is currently scheduled to be filed on October 23, 2025, for consideration at the November 4, 2025 Commission Conference. The preliminary recommendation will be revised as necessary using any new or updated information and the results of customer quality of service or other relevant comments, if any, received at the customer meeting scheduled for 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.

Discussion of Issues

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

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the September 15, 2025 customer 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 Department of Environmental Protection (DEP) and the County health department, and any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints, received by the Commission are also reviewed. The operating 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, and 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, received by the Utility, and filed with the DEP for the test year and four years prior. As stated in the Case Background, the Utility underwent a transfer of ownership in 2022. For the analyzed time period, there was one complaint recorded in CATS, under the current owner, regarding a delay in establishing service. There were 55 complaints filed in CATS during this analyzed timeframe under the previous owner. Twenty-nine of these 55 complaints were related to quality of service, 20 were for improper billing, and the remaining 6 were regarding delays in connection, improper disconnects, and outages.

The Utility reported that it received 215 complaints under the current owner. The majority were relating to improper billing and quality of service issues; such as, minerals in the water, smell, pipe leaks, water pressure, and lift station alarm noise. The DEP reported that it received three water complaints, but did not receive any wastewater complaints. A review of the customer complaints indicates the Utility has resolved all of the complaints filed with the Commission, with the Utility, and with the DEP. Table 1-1 summarizes the number of complaints by source and subject for the test year and four years prior.

Table 1-1
Number of Complaints by Source and Subject

	Prior Owner (CATS)	Current Owner (CATS)	DEP Records	Utility Records ⁷	Total
Delay in Connection	1	1	-	-	2
Improper Billing	20	-	-	153	173
Improper Disconnects	3	-	-	-	3
Outages	2	-	-	-	2
Quality of Service	29	-	3	62	94
Total	55	1	3	215	274

*A single customer complaint may be counted multiple times if it fits into multiple categories.

Conclusion

Staff's recommendation regarding quality of service will not be finalized until after the September 15, 2025 customer meeting.

⁷ Rule 25-30.130, F.A.C., and Rule 25-30.355, F.A.C.

Date: August 22, 2025

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

Preliminary Recommendation: Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for September 15, 2025. (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 rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, sanitary surveys for water and compliance evaluation inspections for wastewater systems, citations, violations, and 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. The system has two wells with pumping capacities of 1,500 gallons per minute (gpm) each, and two hydropneumatic (hydro) storage tanks with capacities of 25,000 gallons each. There are 75 fire hydrants present 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 which 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 determined that all non-compliance items identified at the time of the inspection have 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), AO-037SWD22, 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. 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. Issue 4 addresses the Utility's requested project to address DEP's schedule of compliance.

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Conclusion

Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for September 15, 2025.

Date: August 22, 2025

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?

Preliminary Recommendation: Grenelefe's WTP, WWTP, water distribution, and wastewater collections systems should be considered 100 percent U&U. Staff recommends there is 46 percent excessive unaccounted for water (EUW); however, this recommendation is preliminary, and no adjustment to purchase power and chemicals should be made for EUW at this time. Additionally, no adjustment is recommended for excessive infiltration and inflow (I&I) at this time. These are preliminary determinations and are subject to change. (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 duplex⁸ 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.⁹ 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.¹⁰ The Utility has not increased its WTP permitted capacity with the DEP. However, the Utility requested cost recovery for refurbishing several aspects of its WWTP, which may affect its permitted capacity. This project is discussed further in Issue 4. As such, for purposes of the Staff Report, and 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. However, staff will continue to investigate this issue.

⁸ A duplex lift station contains two pumps in the wet-well.

⁹ 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.*

¹⁰ 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.*

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Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., additionally 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.”¹¹ Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the utility. In determining whether 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 purchases no water and did not provide other water uses during the test year. Staff determined that the Utility sold 50,906,866 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 65,345,568 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 56 percent and the excessive unaccounted for water is 46 percent. However, staff’s recommendation for EUW is preliminary, and therefore, no adjustment to purchased power and chemicals is recommended at this time.

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. Allowable treated wastewater was calculated as 55,009,175 gallons, and the actual amount of the wastewater treated was 46,296,700 gallons. The actual amount does not exceed the allowable amount, therefore there is no excessive I&I and no adjustment to operating expenses is necessary.

Conclusion

Grenelefe’s WTP, WWTP, water distribution, and wastewater collections system should be considered 100 percent U&U. Staff recommends there is 46 percent EUW, however, this recommendation is preliminary, and no adjustment to purchased power and chemicals should be made for EUW at this time. Additionally, no adjustment is recommended for excessive I&I at this time. These are preliminary determinations and are subject to change.

¹¹ Rule 25-30.4325(1)(e).

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

Preliminary Recommendation: The appropriate average test year rate bases for Grenelefe are \$4,964,694 for water and \$16,987,523 for wastewater. These are preliminary determinations and are subject to change as staff further investigates the requested pro forma projects. (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, and working capital. Staff selected the test year ended October 31, 2024, for the instant rate case. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments are discussed below.

Utility Plant in Service

The Utility recorded UPIS of \$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; to reclassify amounts from the WWTP; and to reflect plant retirements.¹² Staff reduced water UPIS by an additional \$9,386 to reflect an averaging adjustment. Additionally, staff increased water UPIS by \$4,862,044 and wastewater UPIS by \$17,301,855 to reflect pro forma additions. Staff then made subsequent adjustments to reflect pro forma-related retirements, reducing water UPIS by \$1,945,437 and reducing wastewater UPIS by \$1,796,703. These adjustments result in a net increase to UPIS of \$2,822,162 for water and \$15,318,037 for wastewater. Therefore, staff recommends a UPIS of \$6,034,756 for water and \$18,608,973 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, costs will be allocated to both the water and wastewater systems.

When evaluating a utility's requested pro forma plant additions, the Commission considers, among other things: (1) need; (2) reasonableness; (3) cost; (4) in-service date(s); and (5) alternatives, as it relates to each project. The Utility's requested pro forma projects and their proposed costs are shown in Table 4-1. Each project is described below.

¹² 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.*

**Table 4-1
Pro-Forma Plant Projects¹³**

	Project	Account Number	Amount	Retirement
Water				
1.	Neptune 5/8 by 3/4 T10 P/C R900i cellular USG meters (Meters and Meter boxes)	334	\$823,643	(\$212,328)*
2.	Radio Read Meter Installations	334	\$271,800	(\$70,067)*
3.	Replacing 15 Fire Hydrants	335	\$234,000	(\$59,961)*
4.	Hydro Tank #6 Replacement	330	\$413,000	(\$74,999)*
5.	Hydro Tank #10 Rehabilitation	330	\$66,786	(\$12,128)*
6.	Potable Well #6 Refurbishment	311	\$121,000	(\$16,123)*
7.	Potable Well #10 Refurbishment	311	\$121,000	(\$16,123)*
8.	Upgrade of 8 irrigation/non-potable wells	311	\$840,000	(\$111,930)*
9.	100 Valve Replacements	331	\$1,897,176	(\$1,422,882)
Wastewater				
10.	Wastewater Treatment Plant Modifications	380	\$16,300,000	(\$2,328,123)*
11.	Lift Station #1 Refurbishment	371	\$195,672	(\$19,857)*
12.	Lift Station #2 Refurbishment	371	\$195,000	(\$19,490)*
13.	Lift Station #3 Refurbishment	371	\$170,545	(\$17,046)*
14.	Lift Station #4 Refurbishment	371	\$188,500	(\$18,840)*
15.	Lift Station #5 Refurbishment	371	\$175,500	(\$17,541)*
Water/Wastewater				
16.	Utility Truck – F-250	341/391	\$52,239	(\$10,932)*
17.	Utility Truck – F-150	341/391	\$43,168	(\$9,034)*
18.	3 Utility Golf Carts	341/391	\$51,870	(\$10,855)*
-	Total	-	\$22,163,899	(\$4,417,438)

Source: Responses to staff data requests and staff calculations.

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. According to Grenelefe, the 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. Grenelefe is proposing to replace a total of 1,350 meters.

No. 3 – Fire Hydrants

Project No. 3 is the replacement of 15 fire hydrants. 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. The most recent flow testing revealed that 15 fire hydrants did not pass the testing. Grenelefe determined that these fire hydrants are well past their useful service lives.

¹³ * Denotes capped retirement.

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. The Utility stated that recent inspections indicated that tank #6 failed its inspection and needs to be replaced. Tank #10 passed its inspection but still needs minor repairs as well as repainting.

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 is also proposing to add Supervisory Control and Data Acquisition (SCADA) monitoring systems to minimize water outages, as well as a new output meter to accurately measure flows.

Project No. 8 – Irrigation/Non-potable Wells

Project No. 8 is the proposed upgrade of eight non-potable wells to potable wells. This upgrade would require the installation of new pumps, motors, control panels, and SCADA systems on each of the eight wells.

Project No. 9 – Valve Replacements

Project No. 9 is the replacement of 100 valves throughout Grenelefe's water system. The Utility stated the DEP office that works with the Polk County Health Department had received multiple customer complaints for an excessive issuance of boil water notices. 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 three DEP complaints discussed in Issue 1, regarding the water system quality of service, relate to the boil water notices.

Project No. 10 – Wastewater Treatment Plant Modifications

Project No. 10 is the proposed modifications of Grenelefe's WWTP. In response to staff's first data request, Grenelefe provided its DEP permit as well as the AO. Grenelefe falls within the boundaries of the Lake Okeechobee BMAP. BMAP is a regulatory framework 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 improve the headwork structures of the plant. The second phase is to provide an effluent that meets the BMAP requirements, with a 0.495 MGD plant permitted capacity. The Utility stated that the modifications would allow the WWTP to meet the BMAP nutrient reduction requirement, as well as bringing the permitted capacity of the plant up to at least 0.495 MGD of the 0.680 MGD design capacity. On May 28, 2025, Grenelefe filed a permit renewal application form that included plans for the potential modification of the WWTP to the DEP. The DEP has not yet approved the permit application or the WWTP modification plans at this time.

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. The Utility is requesting to refurbish the five lift stations with new panels, pumps, valves, check valves, and the installation of new wet well liners.

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Project No. 16 & 17 – Utility Trucks

Project Nos. 16 and 17 are the Utility request for two new pickup trucks. Grenelefe stated that the current Utility vehicles have outlived their useful service lives, with one being 21 years old and another being 18 years old. Both were acquired from the previous Utility owner. One of the new pickup trucks requested is a Ford F-250, which Grenelefe says is needed for its ability to tow heavy equipment like mini excavators, backhoes, and tractors around the service territory. The second requested pickup truck is a Ford F-150, 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. The costs for the trucks will be split evenly between the water and wastewater systems.

Project No. 18 – Utility Golf Carts

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 reading. The costs for the golf carts will be divided evenly between the water and wastewater systems.

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 would result in an overall negative plant balance. Therefore, staff has capped the retirement amounts at the average test year plant balances for respective accounts. This methodology has been utilized in Docket No. 20160101-WS and was approved by Order No. PSC-2017-0361-FOF-WS.¹⁴ 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."¹⁵ The capped pro forma plant project retirements are shown on Table 4-1.

Due to the capped retirement, several accounts have remaining undepreciated plant balances. Staff has determined 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 methodology 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 for 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 four accounts that are subject to amortization, as reflect in Table 4-2 and Table 4-3 below.

¹⁴ Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. cf Florida* (as amended by Amendatory Order PSC-2017-0361A-FOF-WS issued on October 4, 2017 in the referenced docket).

¹⁵ *Id.*

Table 4-2
Water Capital Amortization

Account	Plant Balance	Accumulated Depreciation	Undepreciated Plant Balance	Amortization Expense
330	\$82,951	\$76,515	\$6,436	\$644
335	<u>85,886</u>	<u>56,093</u>	<u>29,793</u>	<u>2,979</u>
Total	<u>\$168,737</u>	<u>\$132,608</u>	<u>\$36,229</u>	<u>\$3,623</u>

Source: Staff calculations.

Table 4-3
Wastewater Capital Amortization

Account	Plant Balance	Accumulated Depreciation	Undepreciated Plant Balance	Amortization Expense
371	\$126,476	\$49,289	\$80,114	\$8,011
380	<u>1,654,027</u>	<u>1,552,559</u>	<u>102,118</u>	<u>10,212</u>
Total	<u>\$1,780,503</u>	<u>\$1,601,848</u>	<u>\$182,232</u>	<u>\$18,223</u>

Source: Staff calculations.

As described above, staff increased UPIS by \$2,822,162 for water and \$15,318,037 for wastewater. This amount is offset by retirements of \$1,996,541 for water and \$2,420,897 for wastewater. Further, staff recommends capital recovery of \$36,129 for water and \$182,232 for wastewater over a 10-year amortization period. The corresponding annual amortization expense is \$3,613 for water and \$18,223 for wastewater.

Used and Useful

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

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.¹⁶ Therefore, staff recommends a land and land rights balance of \$3,000 for water and \$49,400 for wastewater.

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 the WWTP; to reclassify from Operations and Maintenance (O&M) Expense; and to reflect plant additions and retirements not booked.¹⁷ Staff decreased accumulated depreciation

¹⁶ 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.*

¹⁷ 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.*

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by \$60,010 for water and \$197,887 for wastewater to reflect averaging adjustments. Additionally, staff decreased accumulated depreciation by \$1,819,549 to water and \$929,880 for wastewater due to pro forma additions and retirements.

Staff's adjustments to accumulated depreciation result in a net decrease of \$2,006,813 for water and a net decrease of \$1,510,343 for wastewater. Therefore, staff recommends an accumulated depreciation balance of \$919,471 for water and \$1,638,841 for wastewater.

Contributions-in-aid of Construction

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., and Commission practice, staff used the one-eighth O&M expense (less rate case expense) formula for calculating the working capital allowance.¹⁸ As such, staff removed the rate case expense of \$1,558 for water and \$507 for wastewater. This resulted in an adjusted O&M expense balance of \$460,280 for water and \$488,885 for wastewater. Applying the aforementioned formula, staff recommends a working capital allowance of \$57,535 for water and \$61,111 for wastewater.

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$4,964,694 for water and \$16,987,523 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.

For purposes of the Staff Report, staff is including all requested pro forma projects. However, at this time, Grenelefe has not provided complete supporting documentation for many of the requested projects and their associated costs. Staff will continue to work with the Utility to gather the pertinent documentation. As such, staff's recommendation regarding the inclusion and costs for the pro forma projects in Table 4-1 are preliminary and subject to change

¹⁸ See Order No. PSC-2025-0284-PAA-SU, issued July 22, 2025, in Docket No. 20240105-SU, *In re: Application for staff-assisted rate case in Polk County, by West Lakeland Wastewater, LLC*.

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

Preliminary 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 8.73 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.¹⁹ 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 an 8.0 percent cost rate for the Utility's prospective long-term loan as it represents a reasonable midrange. For the final recommendation, staff will seek to obtain actual information provided the loan has been issued. Alternatively, staff will work to further refine the estimated cost rate. 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 8.14 percent.

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.²⁰ 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 8.73 percent. The ROE and overall rate of return are shown on Schedule No. 2.

¹⁹ Document No. 05248-2025, filed on June 26, 2025.

²⁰ Order No. PSC-2025-0213-PAA-WS, issued on June 18, 2025, in Docket No. 20250006-WS, *In re: Water and wastewater industry annual reestablishment cf authorized range cf return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

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

Preliminary Recommendation: The appropriate test year operating revenues for Grenelefe are \$294,764 for the water system and \$252,952 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.

For the test year, 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 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 and February 2025 billing data to complete the billing analysis. 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 \$261,278, which is a decrease of \$69,814 (\$331,092 - \$261,278) and \$252,952 for wastewater, which is an increase of \$7,744 (\$252,952 - \$245,208).

Based on the above, the appropriate test year operating revenues for Grenelefe are \$294,764 (\$261,278 + \$33,486) for the water system and \$252,952 for the wastewater system.

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

Preliminary Recommendation: The appropriate amount of operating expense for Grenelefe is \$698,299 for water and \$1,735,670 for wastewater. (Cohn)

Staff Analysis: The Utility recorded an operating expense of \$617,182 for water and \$670,689 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 \$48,000 for water and \$48,000 for wastewater to account for the addition (transfer) of an “Accounting and Operations Manager” position that was previously subsumed in contractual services - accounting. Therefore, staff recommends a salaries and wages – employees expense of \$48,000 for water and \$48,000 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. Staff increased this figure by \$50,000 for water and \$50,000 for wastewater to account for the addition of a salaried “Owner” position. Staff is continuing to review the reasonableness of the salary amount. Therefore, staff preliminarily recommends a salaries and wages – officers and directors expense of \$50,000 for water and \$50,000 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.

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 to reflect the appropriate common cost allocations. Additionally, staff decreased purchased power by \$29 for wastewater to accurately reflect invoices received for the test year. Staff's adjustments to purchased power result in a total decrease of \$24,846 to water and an increase of \$19,885 to wastewater. Therefore, staff recommends a purchased power expense of \$21,006 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. Therefore, staff recommends a chemicals expense of \$16,800 for water and \$7,200 for wastewater.

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Contractual Services – Professional (731)

The Utility recorded contractual services – professional expense 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 expense 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. Staff’s adjustments result in a total decrease of \$41,750 for both water and wastewater. 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 expense 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.²¹ 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 expense 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 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 expense 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 the plant and not vehicles. Therefore, staff recommends an insurance expense – vehicle expense of \$0 for water \$0 for wastewater.

²¹ 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.*

Insurance Expense – General Liability (657/757)

The Utility recorded 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 \$5,681. 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 \$582.²² The non-filing fee portion of the rate case expense is \$5,233 for water and \$1,030 for wastewater. Additionally, the Utility paid a filing fee of \$1,000 for water \$1,000 for wastewater.

Staff recommends a total rate case expense, consisting of noticing costs, travel and lodging expenses, and a filing fee of \$6,233 for water and \$2,030 for wastewater, which amortized over four years is \$1,558 for water and \$507 for wastewater. Therefore, staff recommends a total annual rate case expense of \$1,558 for water and \$507 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, 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.²³ 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.²⁴ As such, staff recommends bad debt expense of 2 percent of total revenues or \$5,895 for water and \$5,059 for wastewater.

Miscellaneous Expense (675/775)

The Utility recorded miscellaneous expenses of \$12,425 for water and \$0 for wastewater. 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 both water and wastewater.

²² <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>

²³ Document No. 06464-2025, filed on July 17, 2025.

²⁴ 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*.

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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 O&M expense be reduced by \$57,317 for water and \$122,544 for wastewater. This results in a total O&M expense of \$461,838 for water and \$489,392 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 \$125,888 for water and \$866,823 for wastewater. This results in a net increase to depreciation expense of \$104,881 for water and \$858,445 for wastewater. Therefore, staff recommends a depreciation expense of \$182,654 for water and \$902,316 for wastewater.

Amortization of CIAC

The Utility recorded no amortization expense related to CIAC. Audit staff increased this account by \$42,184 for water and \$11,936 for wastewater to reflect amortization expense based on depreciation rates specific to the related plant accounts. Therefore, staff recommends an amortization expense of \$42,184 for water and \$11,936 for wastewater.

Capital Amortization

As discussed in Issue 4, staff recommends a capital recovery schedule of \$36,229 for water and \$182,232 for wastewater over a 10-year amortization period. The corresponding annual amortization expense is \$3,623 for water and \$18,223 for wastewater.

Taxes Other Than Income (TOTI)

The Utility recorded TOTI of \$20,254 for water and \$14,882 for wastewater. Audit staff decreased TOTI by \$2,791 for water and decreased TOTI by \$3,580 for wastewater to reflect actual invoiced amounts for the test year. Staff increased TOTI by \$36,486 for water and \$191,381 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 \$761 for water and \$1,547 for wastewater to reflect a regulatory assessment fee (RAF) rate of 4.5 percent applied to the change in revenues.

As discussed in Issue 9, staff recommends revenues be increased by \$836,870 for water and \$2,965,444 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 \$37,659 for water and \$133,445 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 \$72,114 to water and \$322,793 to wastewater. Therefore, staff recommends a TOTI of \$92,368 for water and \$337,675 for wastewater.

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Total Operating Expenses Summary

The Utility recorded operating expenses of \$617,182 for water and \$670,689 for wastewater. The application of staff's recommended adjustments to the Utility's operating expenses results in a total operating expense of \$698,299 for water and \$1,735,670 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?

Preliminary 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 \$4,964,694 for water and \$16,987,523 for wastewater. After removal of rate case expense, staff has calculated an O&M expense of \$460,280 for water and \$488,885 for wastewater. Based on staff's preliminary recommended amounts, the Utility's rate base is 1078.63 percent and 3474.75 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?

Preliminary Recommendation: The appropriate revenue requirement is \$1,131,634 for water and \$3,218,396 for wastewater, resulting in an annual increase of \$836,870 (283.91 percent) for water and \$2,965,444 (1172.33 percent) for wastewater. (Cohn)

Staff Analysis: Grenelefe should be allowed an annual increase of \$836,870 (283.91 percent) for water and \$2,965,444 (1172.33 percent) for wastewater. This should allow the Utility the opportunity to recover its expenses and earn 8.73 percent return on its respective rate base. The calculations for revenue requirement are shown on Table 9-1 and Table 9-2.²⁵

Table 9-1
Water Revenue Requirement

Water Rate Base	\$4,964,694
Rate of Return (%)	<u>8.73%</u>
Return On Rate Base (\$)	<u>\$433,335</u>
Water O&M Expense	461,838
Depreciation Expense	182,654
Amortization	(38,561)
Taxes Other Than Income	<u>92,368</u>
Revenue Requirement	<u>\$1,131,634</u>
Less Test Year Revenues	\$294,764
Annual Increase	\$836,870
Percent Increase	283.91%

Source: Staff calculations.

Table 9-2
Wastewater Revenue Requirement

Wastewater Rate Base	\$16,987,523
Rate of Return (%)	<u>8.73%</u>
Return On Rate Base (\$)	<u>\$1,482,726</u>
Wastewater O&M Expense	489,392
Depreciation Expense	902,316
Amortization	6,287
Taxes Other Than Income	<u>337,675</u>
Revenue Requirement	<u>\$3,218,396</u>
Less Test Year Revenues	\$252,952
Annual Increase	\$2,965,444
Percent Increase	1172.33%

Source: Staff calculations.

²⁵ Staff notes calculations may not compute due to rounding.

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

Preliminary 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 1,096 residential customers with 51 of the customers having a separate meter for irrigation. There are also 118 general service customers. According to the billing data, approximately 14.66 percent of the residential customer bills during the test year had zero gallons, which signifies a non-seasonal customer base. However, the percentage of cumulative bills at the 1,000 consumption level signifies more of a highly seasonal customer base. The average residential water demand is 2,777 gallons. The average water demand excluding zero gallon bills is 3,255 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) 10,000-15,000 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 seasonal customer base coupled with low average consumption. The Utility's current BFC allocation is 55 percent, which is a slightly higher percentage of the Commission's practice of recovering at least 50 percent through the BFC for a seasonal customer base. For this case, staff recommends that 55 percent of the revenue requirement continue to be recovered through the BFC in an effort to maintain revenue stability.

Staff's review of the billing analysis indicates the remaining 3 percent of the customer's account for the remaining 14 percent of the usage above 10,000 gallons. This is an indication of moderate discretionary usage. Staff evaluated whether a three-tier inclining block rate would be appropriate in this case. Due to staff's recommended revenue requirement increase and BFC

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allocation, the price percentages in the first tier or non-discretionary usage block produces relatively higher percentage price increases. However, a continuation of a four-tier rate structure somewhat lowers the percentage price increases at non-discretionary levels of consumption and increases the percentage price increase at higher levels of consumption. The average people per household served by the water system is 2.35²⁶; 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.²⁷ For this case, staff recommends a BFC and a four-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) 10,000 – 15,000 gallons; 4) over 15,000 per month. General service should be billed a BFC and a uniform gallonage charge.

Based on the recommended revenue increase of 320.3 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 17,794,000 gallons resulting in anticipated average residential demand of 1,918 gallons per month. Staff recommends a 42.9 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are \$7,342 for purchased power expense, \$5,872 for chemical expense, and \$623 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$1,084,311.

Wastewater Rates

The Utility provides wastewater service to approximately 1,096 residential customers and 118 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 65 percent of the wastewater revenue. It is Commission practice to allocate at least 50 percent of the wastewater revenues to the BFC due to the capital intensive nature of wastewater plants coupled with a seasonal customer base. On a going-forward basis, staff recommends a BFC allocation of 60 percent. 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

²⁶ Average persons per household may be found by following:
<https://www.census.gov/quickfacts/fact/table/lakelandcityflorida/pst045224>.

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residential water sold, which typically results in gallonage caps of 6,000, 8,000, or 10,000. Based on staff's review of the billing analysis, 86 percent of the gallons are captured at the 8,000 gallon consumption level. Therefore, staff recommends that the gallonage cap remains unchanged. 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, wastewater rates are calculated based on customers' water demand; if those customers' water demand is expected to decline due to repression, then the billing determinants used to calculate wastewater rates should be adjusted accordingly. In determining the number of wastewater gallons subject to repression, staff used the gallons between the non-discretionary threshold and the wastewater gallonage cap and applied the percentage reduction in water gallons. In this case, it results in a 1.79 percent reduction to the wastewater gallons for rate setting purposes, which is de minimis. Therefore, a repression adjustment for wastewater is unnecessary.

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?

Preliminary Recommendation: The appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be \$110 and \$424 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.²⁸ 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 meter size; \$100.46 for the 1 inch meter size; \$110.38 for the 1.5 inch meter size; \$224.90 for 2 inch meter size; and two times the average bill for the general service meter sizes. However, the Utility no longer charges the 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. For water, the Utility's anticipated post-repression average monthly residential usage is 1,918 gallons per customer. Therefore, the average residential monthly bill is \$54.86 for water service. For wastewater, there was no repression adjustment and the average residential usage is 2,227 per customer. The average residential monthly bill is \$211.88 for wastewater service. Furthermore, staff recommends that the initial customer deposits for general service meter sizes be two times the average estimated bill for water and wastewater.

Staff recommends that the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be \$110 and \$424 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.

²⁸ Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

Date: August 22, 2025

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

Preliminary Recommendation: The rates should be reduced as shown on Schedule Nos. 4 and 5 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 \$1,632 for water and \$531 for wastewater.

Staff recommends that the rates should be reduced as shown on Schedule Nos. 4 and 5 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.

Date: August 22, 2025

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

Preliminary Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. 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 \$573,832 for water and \$2,033,372 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:

Date: August 22, 2025

- 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.

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	\$2,822,162	\$6,034,756
2.	LAND & LAND RIGHTS	7,000	(4,000)	3,000
3.	ACCUMULATED DEPRECIATION	(2,926,284)	2,006,813	(919,471)
4.	CIAC	(2,302,685)	0	(2,302,685)
5.	ACCUMULATED AMORT. CIAC	2,191,692	(136,362)	2,055,330
6.	CAPITAL RECOVERY	0	36,229	36,229
7.	WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>57,535</u>	<u>57,535</u>
	WATER RATE BASE	<u>\$182,317</u>	<u>\$4,782,377</u>	<u>\$4,964,694</u>

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY TEST YEAR ENDED 10/31/2024 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-B DOCKET NO. 20250023-WS		
DESCRIPTION		BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	\$3,290,936	\$15,318,037	\$18,608,973
2.	LAND & LAND RIGHTS	49,400	0	49,400
3.	ACCUMULATED DEPRECIATION	(3,149,184)	1,510,343	(1,638,841)
4.	CIAC	(1,051,361)	0	(1,051,361)
5.	ACCUMULATED AMORT. CIAC	872,227	(96,218)	776,009
6.	CAPITAL RECOVERY	0	182,232	182,232
7.	WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>61,111</u>	<u>61,111</u>
	WATER RATE BASE	<u>\$12,018</u>	<u>\$16,975,505</u>	<u>\$16,987,523</u>

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY		SCHEDULE NO. 1-C	
TEST YEAR ENDED 10/31/2024 ADJUSTMENTS TO RATE BASE		DOCKET NO. 20250023-WS	
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1. To reflect auditing adjustments.	(\$85,059)	(\$187,115)	
2. To reflect averaging adjustments.	(9,386)	0	
3. To reflect pro forma additions.	4,862,044	17,301,855	
4. To reflect pro forma retirements.	(1,945,437)	(1,796,703)	
Total	<u>\$2,822,162</u>	<u>\$15,318,037</u>	
<u>LAND AND LAND RIGHTS</u>			
To reflect the appropriate land balance.	<u>(\$4,000)</u>	<u>\$0</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect auditing adjustments.	\$127,254	\$382,576	
2. To reflect averaging adjustments.	60,010	197,887	
3. To reflect pro forma adjustments.	1,819,549	929,880	
Total	<u>\$2,006,813</u>	<u>\$1,510,343</u>	
<u>ACCUMULATED AMORTIZATION OF CIAC</u>			
1. To reflect auditing adjustments.	(\$115,270)	(\$90,250)	
2. To reflect averaging adjustments.	(21,092)	(5,968)	
Total	<u>(\$136,362)</u>	<u>(\$96,218)</u>	
<u>CAPITAL AMORTIZATION</u>			
To reflect staff adjustments.	<u>\$36,229</u>	<u>\$182,232</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O&M expenses.	<u>\$57,535</u>	<u>\$61,111</u>	

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									
<u>CAPITAL COMPONENT</u>		<u>PER UTILITY</u>	<u>SPECIFIC ADJUST-MENTS</u>	<u>BALANCE AFTER ADJUST</u>	<u>PRO RATA ADJUST-MENTS</u>	<u>BALANCE PER STAFF</u>	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>WEIGHTED COST</u>
1.	LONG-TERM DEBT	\$1,431,854	\$16,622,924	\$18,054,778	(\$1,602,087)	\$16,452,691	74.99%	8.14%	6.10%
2.	COMMON EQUITY	469,312	5,540,974	6,010,286	(533,321)	5,476,965	24.96%	10.51%	2.62%
3.	CUSTOMER DEPOSITS	<u>11,804</u>	<u>0</u>	<u>11,804</u>	<u>(1,047)</u>	<u>10,757</u>	<u>0.05%</u>	2.00%	<u>0.00%</u>
	TOTAL CAPITAL	<u>\$1,912,970</u>	<u>\$22,163,898</u>	<u>\$24,076,868</u>	<u>(\$2,136,456)</u>	<u>\$21,940,412</u>	<u>100.00%</u>		<u>8.73%</u>
RANGE OF REASONABLENESS							LOW	HIGH	
RETURN ON EQUITY							9.51%	11.51%	
OVERALL RATE OF RETURN							8.48%	8.98%	

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY TEST YEAR ENDED 10/31/2024 SCHEDULE OF WATER OPERATING INCOME				SCHEDULE NO. 3-A DOCKET NO. 20250023-WS	
	TEST YEAR UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	\$364,578	(\$69,814)	\$294,764	\$836,870 283.91%	\$1,131,634
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$519,155	(\$57,317)	\$461,838	\$0	\$461,838
3. DEPRECIATION (NET)	77,773	104,881	182,654	0	182,654
4. AMORTIZATION (NET)	0	(38,561)	(38,561)	0	(38,561)
5. TAXES OTHER THAN INCOME	<u>20,254</u>	<u>34,455</u>	<u>54,709</u>	<u>37,659</u>	<u>92,368</u>
TOTAL OPERATING EXPENSES	<u>\$617,182</u>	<u>\$43,458</u>	<u>\$660,640</u>	<u>\$37,659</u>	<u>\$698,299</u>
7. OPERATING INCOME / (LOSS)	(\$252,604)		(\$365,876)		\$433,335
8. WATER RATE BASE	\$182,317		\$4,782,377		\$4,964,694
9. RATE OF RETURN					8.73%

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 UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	\$245,208	\$7,744	\$252,952	\$2,965,444 1172.33%	\$3,218,396
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$611,936	(\$122,544)	\$489,392	\$0	\$489,392
3. DEPRECIATION (NET)	43,871	858,445	902,316	0	902,316
4. AMORTIZATION (NET)	0	6,287	6,287	0	6,287
5. TAXES OTHER THAN INCOME	<u>14,882</u>	<u>189,347</u>	<u>204,230</u>	<u>133,445</u>	<u>337,675</u>
TOTAL OPERATING EXPENSES	<u>\$670,689</u>	<u>\$931,536</u>	<u>\$1,602,225</u>	<u>\$133,445</u>	<u>\$1,735,670</u>
7. OPERATING INCOME / (LOSS)	(\$425,481)		(\$1,349,273)		\$1,482,726
8. WATER RATE BASE	\$12,018		\$16,975,505		\$16,987,523
9. RATE OF RETURN					8.73%

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY TEST YEAR ENDED 10/31/2024 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 20250023-WS	
		<u>WATER</u>	<u>WASTEWATER</u>
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.	16,903	34,376
	Total	<u>(\$69,814)</u>	<u>\$7,744</u>
OPERATION AND MAINTENANCE EXPENSE			
1.	Salaries and Wages – Employees (601/701) To reflect appropriate common cost allocations.	<u>\$48,000</u>	<u>\$48,000</u>
2.	Salaries and Wages – Officers and Directors (603/703) To reflect appropriate common cost allocations.	<u>\$50,000</u>	<u>\$50,000</u>
3.	Sludge Removal (711) To reflect an auditing adjustment.		<u>(\$25,330)</u>
4.	Purchased Power (615/715)		
	a. To reflect appropriate common cost allocations.	(\$24,846)	\$19,914
	b. To reflect actual invoices received.	0	(29)
	Subtotal	<u>(\$24,846)</u>	<u>\$19,885</u>
5.	Chemicals Expense (618/718)		
	a. To reflect auditing adjustments.	<u>(\$2,134)</u>	<u>(\$677)</u>
6.	Contractual Services – Professional (631/731)		
	a. To reflect auditing adjustments.	\$0	(\$675)
7.	Contractual Services – Accounting (632/732) ²⁹		
	a. To reflect auditing adjustments.	\$6,250	\$6,250
	b. To reflect salary transfer.	(48,000)	(48,000)
	Subtotal	<u>(\$41,750)</u>	<u>(\$41,750)</u>
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	<u>(\$42,142)</u>	<u>(\$42,142)</u>

²⁹ Staff notes that the total amount transferred to accounts 601/701 is (\$48,000), respectively.

9.	Contractual Services – Testing (635/735)		
	To reflect appropriate common cost allocations.	<u>(\$7,092)</u>	<u>(\$26,689)</u>
10.	Contractual Services – Other (636/736)		
	a. To reflect auditing adjustments.	<u>(\$24,472)</u>	<u>(\$100,823)</u>
	b. To remove expenses outside the test year.	<u>(7,910)</u>	<u>(7,910)</u>
	Subtotal	<u>(\$32,382)</u>	<u>(\$108,733)</u>
11.	Insurance Expense – Vehicle (656/756)		
	To reflect auditing adjustments.	<u>(\$2,153)</u>	<u>(\$2,154)</u>
12.	Insurance Expense – General Liability (657/757)		
	To reflect auditing adjustments.	<u>\$2,153</u>	<u>\$2,154</u>
13.	Rate Case Expense (665/765)		
	To reflect 1/4 of rate case expense.	<u>\$1,558</u>	<u>\$507</u>
14.	Bad Debt Expense (670/770)		
	To reflect 2.0 percent of test year revenues.	<u>\$5,895</u>	<u>\$5,059</u>
15.	Miscellaneous Expense (675/775)		
	To reflect an auditing adjustment.	<u>(\$12,425)</u>	<u>\$0</u>
	TOTAL OPERATION AND MAINTENANCE ADJ.	<u>(\$57,317)</u>	<u>(\$122,544)</u>
	DEPRECIATION EXPENSE		
1.	To reflect appropriate depreciation expenses.	<u>(\$21,007)</u>	<u>(\$8,378)</u>
2.	To reflect pro forma additions.	<u>125,888</u>	<u>866,823</u>
	Subtotal	<u>\$104,881</u>	<u>\$858,445</u>
	AMORTIZATION EXPENSE		
1.	To reflect adjustments to CIAC amortization expense.	<u>(\$42,184)</u>	<u>(\$11,936)</u>
2.	To reflect capital amortization.	<u>3,623</u>	<u>18,223</u>
	Subtotal	<u>(\$38,561)</u>	<u>\$6,287</u>
	TAXES OTHER THAN INCOME		
1.	To reflect auditing adjustments.	<u>(\$2,791)</u>	<u>(\$3,580)</u>
2.	To reflect appropriate test year RAFs.	<u>761</u>	<u>1,547</u>
3.	To reflect appropriate RAFs on revenue requirement increase.	<u>37,659</u>	<u>133,445</u>
4.	To reflect property taxes associated with pro forma additions.	<u>36,486</u>	<u>191,381</u>
	Subtotal	<u>\$72,115</u>	<u>\$322,793</u>
	TOTAL OPERATING EXPENSE ADJUSTMENTS	<u>\$81,117</u>	<u>\$1,064,980</u>

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	\$48,000	\$48,00
603	Salaries and Wages – Officers	0	50,000	50,000
615	Purchased Power	45,852	(24,846)	21,006
618	Chemicals Expense	18,934	(2,134)	16,800
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	1,558	1,558
670	Bad Debt Expense	0	5,895	5,895
675	Miscellaneous Expense	<u>12,425</u>	<u>(12,425)</u>	<u>0</u>
	Total O&M Expense	<u>\$519,155</u>	<u>(\$57,317)</u>	<u>\$461,838</u>
	Working Capital is 1/8 of O&M less RCE			\$57,535

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	\$48,000	\$48,00
703	Salaries and Wages – Officers	0	50,000	50,000
711	Sludge Removal Expense	85,930	(25,330)	60,600
715	Purchased Power	54,758	19,885	74,643
718	Chemicals Expense	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	507	507
770	Bad Debt Expense	<u>0</u>	<u>5,059</u>	<u>5,059</u>
	Total O&M Expense	<u>\$611,936</u>	<u>(\$122,544)</u>	<u>\$489,392</u>
	Working Capital is 1/8 of O&M less RCE			\$61,111

NC REAL ESTATE PROJECTS LLC D/B/A GRENELEFE UTILITY				SCHEDULE NO. 4-A
TEST YEAR ENDED OCTOBER 31, 2024				DOCKET NO. 20250023-WS
MONTHLY WATER RATES				
	UTILITY CURRENT RATES	UTILITY INTERIM RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$6.81	\$8.04	\$24.61	\$0.04
3/4"	\$10.22	\$12.06	\$36.92	\$0.06
1"	\$17.03	\$20.10	\$61.53	\$0.09
1-1/2"	\$34.05	\$40.20	\$123.05	\$0.18
2"	\$54.48	\$64.32	\$196.88	\$0.30
3"	\$108.96	\$128.64	\$393.76	\$0.59
4"	\$170.25	\$201.00	\$615.25	\$0.92
6"	\$340.50	\$402.00	\$1,230.50	\$1.85
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	\$15.77	\$0.02
4,001 - 10,000 gallons	N/A	N/A	\$19.72	\$0.03
10,001 - 15,000 gallons	N/A	N/A	\$23.66	\$0.04
Over 15,000 gallons	N/A	N/A	\$27.61	\$0.04
Charge per 1,000 gallons - General Service	\$2.09	\$2.47	\$14.74	\$0.02
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
5,000 Gallons	\$14.31	\$16.89	\$107.41	
10,000 Gallons	\$23.76	\$28.04	\$206.01	
15,000 Gallons	\$37.86	\$44.69	\$324.31	

NC REAL ESTATE PROJECTS, LLC D/B/A GRENELEFE UTILITY TEST YEAR ENDED OCTOBER 31, 2024 MONTHLY WASTEWATER RATES				SCHEDULE NO. 4-B DOCKET NO. 20250023-WS
	UTILITY CURRENT RATES	UTILITY INTERIM RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u>				
All Meter Sizes	\$9.98	\$25.12	\$127.38	\$0.03
Charge per 1,000 gallons (8,000 gallon cap)	\$2.93	\$7.38	\$37.11	\$0.01
<u>General Service</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$9.98	\$25.12	\$127.38	\$0.03
3/4"	\$14.97	\$37.68	\$191.07	\$0.04
1"	\$24.95	\$62.80	\$318.45	\$0.06
1-1/2"	\$49.90	\$125.60	\$636.90	\$0.13
2"	\$79.84	\$200.96	\$1,019.04	\$0.20
3"	\$159.68	\$401.92	\$2,038.08	\$0.41
4"	\$249.50	\$628.00	\$3,184.50	\$0.64
6"	\$499.00	\$1,256.00	\$6,369.00	\$1.27
Charge per 1,000 gallons - General Service	\$3.52	\$8.86	\$44.53	\$0.01
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
2,000 Gallons	\$15.84	\$39.88	\$201.60	
6,000 Gallons	\$27.56	\$69.40	\$350.04	
8,000 Gallons	\$33.42	\$84.16	\$424.26	