



**BEN ALBRITTON**  
*President of the Senate*

**STATE OF FLORIDA  
OFFICE OF PUBLIC COUNSEL**

c/o THE FLORIDA LEGISLATURE  
111 WEST MADISON ST.  
ROOM 812  
TALLAHASSEE, FLORIDA 32399-1400  
850-488-9330

EMAIL: [OPC\\_WEBSITE@LEG.STATE.FL.US](mailto:OPC_WEBSITE@LEG.STATE.FL.US)  
[WWW.FLORIDAOPC.GOV](http://WWW.FLORIDAOPC.GOV)



**DANIEL PEREZ**  
*Speaker of the House of  
Representatives*

October 3, 2025

**VIA: ELECTRONIC FILING**

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

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

Dear Mr. Teitzman:

The intent of this letter is to advise the Commission staff of the Office of Public Counsel's (OPC) observations and recommendations, based on a further review of the Staff Report issued August 22, 2025, the Staff Audit Report issued May 19, 2025, and the Utility's responses to Staff's data requests.

*Issue 3 -Excessive Unaccounted For Water*

On page 8 of the Staff Report, it states:

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.

The OPC proffered EUW recommendations in our letter dated September 5, 2025. With an unaccounted for water percent of 56%, the Utility's water system appears to be a very inefficient system. The Commission has previously denied the application for rate increase for the inefficiency of a system which was upheld by the Florida Supreme Court.

In *North Florida Water Co. v. Bevis*, 302 So. 2d 129 (1974 Fla.), the relevant part of the Court's opinion is as follows:

Petitioner, North Florida Water Company, a wholly-owned subsidiary of Florida Cities Water Company, filed an application for a water rate increase in Jackson County, Florida. The company has been operating at a financial loss for several years. The respondent-Commission, through its examiner, held a public hearing in Marianna, Florida, on October 16, 1972. Contrary to the examiner's recommendation that petitioner be granted the requested utility rate increase, the Commission denied the increase on the ground that petitioner's water system was inefficient. More specifically, the Commission found that the system contained leaks, that 34.4% of the water pumped was unaccounted for, and that a significant number of meters were stalled and not recording. The Commission also found that Florida Cities Water Company had acquired North Florida Water Company with full knowledge of these and other system defects and that North Florida Water Company's customers should not be required to bear the cost of correcting these defects.

We agree with the respondent-Commission that the public should not be compelled to pay increased rates because of an inefficient system. Sections 367.081(2) and 367.111(2), Florida Statutes, authorize the Commission to consider the efficiency of the system in determining the propriety of a rate increase. While Section 366.041, Florida Statutes, provides that no public utility shall be denied a reasonable rate of return, it in no manner compels the Commission to grant a rate increase where the applicant's existing service is shown to be inefficient. See [United Telephone Company of Florida v. Mayo](#), 215 So.2d 609 (Fla. 1968).

Our holding in [Askew v. Bevis](#), 283 So.2d 337 (Fla. 1973), decided subsequent to the United Telephone Company case, is not controlling. In [Askew v. Bevis](#), *supra*, we upheld a Commission order granting the utility a rate increase under bond pending improvement of the applicant utility's service defects. Those circumstances are not present in the case at bar. To hold that [Askew v. Bevis](#), *supra*, inflexibly mandates a "fair return" increase no matter how extensive the applicant utility's service defects, would be improper and contrary to statutory guidelines.

The fixing of public utility rates necessarily involves a balancing of the public's interest in withholding rate relief because of inadequate service and the utility's interest in obtaining rate increases to finance its necessary service improvement program. The Commission in the instant case found the former interest to be predominant. From our examination of the record, we find the Commission order to be supported by competent substantial evidence.

The OPC urges that the Commission give strong consideration to this opinion in the face of this daunting proposed increase.

*Issue 7- Salaries and Wages - Employees Expense*

On page 18 of the Staff Report, it states, in pertinent part, the following:

**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.

In a response to a Staff data request, the Utility stated that the Accounting and Operations Manager devotes 140 hours a month and requested an annual salary of \$96,000. Specifically, Grenelefe stated the responsibilities of this position were as follows:

Responsibilities - Receive all invoices from vendors, review and approve for payment then submit to Owner for payment with all required data for the vendor to properly record the payment. Maintain a full catalog of all invoices paid and categorized by vendor and year. Prepare any required financial reports for bank, PSC, SWFWMD and CPA for tax purposes. Solicit, receive and analyze any vendor proposals for new equipment, improvement, service needed at the Utility then recommend the selection to the Owner for contracting. Pay for any required items for the business with a business card in order to provide the materials to do the work required at the Utility. Work with the Bookkeeper contracted to track expenditures to assure proper recording of all revenue and expense items. Oversees the Billing Manager of the Utility to assure the Customer Invoices are done from timely manual meter reads input into the billing software are completed and distributed to all customers on a regular basis and in a timely manner. Oversees the Billing Manager is collecting all Security Deposits from new customers and segregating these deposits into the Security Deposit separate account at the Bank, and that proper records are kept to assure the accounting of the Security Deposits. Works with the PSC Staff in preparing any requested answers for Data from the records kept for the facility.

A standard 40-hour work week averages to approximately 173.33 hours per month. This is calculated by taking the total annual hours (40 hours per week \* 52 weeks per year = 2,080 hours) and dividing them by the 12 months in a year. As such, the Accounting and Operations Manager works about 80.78% of the average hours per month for a standard 40-hour work week.

Using the 2023 AWWA Compensation Survey for small water and wastewater utilities, the closest match for this Accounting and Operations Manager position was the Small System Office Manager which reflected an average salary mid-point salary of \$66,171. Using the Commission's 2024 and 2025 Price Indices of 3.24% and 2.23%, respectively, the 2025 indexed amount is \$69,838. Using the Accounting and Operations Manager's 80.78% of hours worked of the average hours per month for a standard 40-hour work week, this position's annual salary should be no more than \$56,415.

Based on the above, the OPC recommends that the requested salary for the Accounting and Operations Manager be reduced by at least \$39,584 (\$96,000-\$56,415) or \$19,792 for both water and wastewater for ratemaking purposes.

#### *Issue 7- Salaries and Wages - Employees Expense*

On page 18 of the Staff Report, it states, in pertinent part, the following:

##### **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.

In a response to a Staff data request, the Utility stated that the Manager & Owner devotes 180 hours a month and requested an annual salary of \$100,000. Specifically, Grenelefe stated the responsibilities of this position were as follows:

Responsibilities - Selecting and Contracting for Contractors to perform the activities required for the successful report all required items, file the reported items, operate, improve and maintain of the Utility. Manages and oversees all vendors selected to assure they are doing their required actions for the successful operation of the Utility. As the owner and financially responsible party for paying the vendors, he must approve all expenditures, distribute the funds to vendors via the vendors preferred manner of payment, obligate himself to any loans taken for the utility in order to keep it operating and to pay for any improvements. As owner, he personally guarantees any loans and uses his own funds to supplement any shortfall.

The OPC would note that the Owner is already financially compensated through the weighted average cost of capital for any personal guarantees of any long-term debt issuances and common equity infusions in the Utility. Even so, consistent with the 2023 AWWA Compensation Survey for small water and wastewater utilities, the OPC utilized the Small System General Manager position to evaluate the requested salary for the Manager & Owner.

To start, the OPC has concerns that the asserted 180 hours month by the Manager & Owner is overstated. Based on the Florida Secretary of State Officer/Registered Agent search, the Owner has been a manager of SHD Properties, LLC since 2017, of Grenelefe Resort Development, LLC since 2023, and of Smokey Groves Development, LLC since February 2025. Based on the Owner's LinkedIn profile, he is Co-Owner of Florida Luxury Rentals (<https://floridaluxuryrentals.com/>) since May 2015. The Utility Owner is also the Residential Real Estate Brokerage Broker/Owner of Estate Finders, Inc. (<https://www.nestfully.com/Office/EstateFindersInc-213848>) since June 2014. He is the Commercial Real Estate Brokerage Broker/Owner of Florida Advantage Realty since October 2012. Given the multi-hats of the Utility Owner that would demand his time, the OPC would suggest that the Utility Owner's time for Grenelefe should be no more than 86.65 hours per month which is half of the approximate of 173.33 hours per month for a standard 40-hour work week.

Using the 2023 AWWA Compensation Survey for small water and wastewater utilities, the closest match for this Accounting and Operations Manager position was the Small System General Manager which reflected an average salary mid-point salary of \$104,456. Using the Commission's 2024 and 2025 Price Indices of 3.24% and 2.23%, respectively, the 2025 indexed amount is \$110,245. Using the 50% of the average hours per month for a standard 40-hour work week, this position's annual salary should be no more than \$55,123, especially given the other elements of compensation noted above.

Based on the above, the OPC recommends that the requested salary for the Accounting and Operations Manager be reduced by at least \$44,877 (\$100,000-\$55,123) or \$22,438 for both water and wastewater for ratemaking purposes.

#### *Issue 7- Bad Debt Expense*

On page 20 of the Staff Report, it states, in pertinent part, the following:

#### **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.

(Underlined emphasis added)

The OPC would note that the Commission has previously approved 1% of total revenues to determine bad debt expense for water and wastewater utilities.<sup>1</sup> The average bad debt to sales in 2022 for the utility industry was 0.41%.<sup>2</sup> In an effort to mitigate the level increases for water and wastewater identified in the Staff Report, the OPC recommends that the proposed method of 2% of total revenues to determine bad debt expense should be lowered to 1% which would result in bad debt expense reductions of \$2,948 for water and \$2,530 for wastewater. Further to this point, as reflected on page 28 of the Staff Report, customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. With the initial customer deposit ensuring that the cost of providing service is recovered from the cost causer and with any approved rate increases in this case, the resulting customer deposit increases should minimize the level of bad debt expense in the future.

#### Other Observations and Recommendations

As previously stated in our September 5, 2025-letter, the OPC recommended that the Staff consider recommending that phased-rate increases be implemented for Grenelefe, given the level of the preliminary recommended water and wastewater increases in the Staff Report. Further, as a way to mitigate the revenue requirement impacts from any prudent pro forma plant additions, the Staff should consider imputing refundable advances in rate base by the amount of Owner provided equity infusions to be reimbursed to him as service availability charges are collected from new customers. Alternatively, given the significant anticipated customer growth is coming from the Utility Owner's related party developments, the OPC recommends that Staff could use a 50%-Buildout Second Phase approach for ratemaking purposes in this case which is similar to the 80%-Buildout Second Phase approach the Commission utilized in Docket No. 20060285-SU.<sup>3</sup>

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<sup>1</sup> See Order Nos. PSC-2020-0168-PAA-WS, p. 18, issued May 22, 2020, in Docket No. 20190166-WS, *In re: Application for increase in water rates in Highlands County by HC Waterworks, Inc.*, and PSC-2017-0334-PAA-WS, p. 16, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.*

<sup>2</sup> <https://www.highradius.com/finsider/how-good-is-bad-debt/#:~:text=Bad%20debt%20across%20utility%20companies,face%20pressure%20on%20their%20receivables>.

<sup>3</sup> Order No. PSC-2007-0865-PAA-SU, issued October 29, 2007, in Docket No. 20060285-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. cf Sandalhaven*. This PAA order became effective and final with the issuance of the Consummating Order No. PSC-20027-0980-CO-SU, issued December 7, 2007.

Adam Teitzman  
October 3, 2025  
Page 7

## **Conclusion**

In conclusion, in light of the level of rate increase that the customers face in this case, the OPC respectfully requests the Staff and the Commission consider the observations and recommendations noted above.

Respectfully submitted,

/s/ *Bart Fletcher*

Bart Fletcher  
Legislative Analyst