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September 5, 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.

Dear Mr. Teitzman:

The intent of this letter is to advise the Commission staff and NC Real Estate Projects, LLC d/b/a Grenelefe Utility (Grenelefe or Utility) of the Office of Public Counsel's (OPC) observations and recommendations, based on a preliminary review of the Staff Report issued August 22, 2025.

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 would note that a 46% EUW adjustment to purchase power and chemical would be a reduction of $9,663 and $7,728, respectively, which would lower the preliminarily identified water increase amount by $18,575 reducing this amount to $818,295 or 277.61% instead of $836,870 or 283.91% reflected in Schedule No. 3-A on page 36.

Moreover, the OPC suggests that there should be additional EUW adjustments to the preliminarily identified water increase amount related to Material and Supplies (M&S) and Contractual Services-Other expenses. First, EUW represents lost revenue because the water is treated, pumped, and distributed but never billed to customers. Constant leaks from EUW accelerates the degradation of plumbing systems and components, leading to faster wear and tear. EUW is also known as non-revenue water, can significantly increases materials and supply maintenance expenses for water utilities. The primary reason is that leaks and pipe failures—a major cause of EUW—lead to more frequent and costly repairs.

Second, in the 2021 Annual Report, the Utility EUW of 64.26%, which is calculated as follows: (281,943kgals of water sold to customers + 7,253kgals for line flushing, fighting fires divided 389,397kgals for finished water pumped from wells = 74.27% less 10%). Schedule W-11 for the Utility's 2022-2024 Annual Reports had deficiently omitted data to calculate the EUW for those years. Based on the 2021-2024 Annual Reports, the only water plant additions were $25,622 for pumping equipment in 2021, $11,742 for water treatment equipment, and $10,272 for hydrants in 2024. These additions on their face would not address the Utility's EUW issue.

Third, for informational purposes, the Utility reflected the following in its 2021-2024 Annual Reports:

Line	Description	2021	2022	2023	2024	2021-2023 3-Yr Avg
1	Source of Supply M&S Maintenance Expenses	$0	$0	$0	$0	$0
2	Water Treatment M&S Maintenance Expenses	4,426	4,425	4,201	0	4,351
3	T&D M&S Maint. Exp.	0	0	0	0	0
4	Subtotal	$6,447	$6,447	$4,201	$0	$4,351
5	Source of Supply Maint. Cont. Services Other Exp.	$71,873	$27,189	$0	$0	$33,021
6	Water Treatment Maint. Cont. Services Other Exp.	0	0	0	0	0
7	T&D Maint. Cont. Services Other Expenses	55,950	20,244	0	0	25,398
8	Subtotal	$127,823	$47,433	$0	$0	$58,419

On page 4 of Order No. PSC-2024-0228-PAA-WS, the following was reflected:

> Pursuant to Rule 25-30.037(2)(m), F.A.C., the application contains statements describing the technical ability of the Buyer to provide service to the proposed service area. NC Real Estate Projects' application states that while it does not own any other water or wastewater systems in Florida, the Buyer's sister company has acquired the housing development served by the Utility, which incentivizes the Buyer to continue the proper maintenance and operation of the Utility. Furthermore, the Buyer plans to use the same operations personnel employed by the Seller to provide routine operation and maintenance of the systems, as well as to handle billing and customer service. As the operations personnel have experience with the Utility's facilities, it is reasonable for the Buyer to retain those employees. Based on the above, we find that the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

(Emphasis added)

The OPC would note that the Utility did not reflect any maintenance expenses, source of supply expenses nor transmission and distribution expenses but just $503,202[1] of water treatment operations expenses and $15,953 of A&G expenses on Schedule W-11 in 2024. Given the statements in the above transfer order regarding the Utility's commitment to continue maintenance of its systems, the Utility must have erroneously embedded maintenance costs for its source of supply, water treatment, and transmission and distribution facilities on Schedule W-11 in its 2024 Annual Report solely in the $503,202 of water treatment operations expenses. Any rate setting by the Commission should require these category amounts to be accurately broken out and stated.

[1] For which $329,390 is reflected in Contractual Services Other Expenses

Given the above without further detail information available to the OPC and the Utility's 46% EUW level, the OPC would conservatively recommend that additional EUW adjustments to O&M expenses related to Contractual Services-Other expenses as follows.

2021-2023 3-Year Average M&S Maintenance Expenses	$4,351
2021-2023 3-Year Average Contractual Services Other Maintenance Expenses	58,419
Total	$62,769
46% EUW	0.46
Reduction to Contractual Services Other Expenses	$28,874

The OPC would note that additional EUW O&M expense reduction should be made to contractual services other expenses of $28,874. Combining this reduction with the others to purchased power and chemicals would lower the preliminarily identified water increase amount by $49,140 resulting in an increase of $787,730 or 267.24% instead of $836,870 or 283.91% reflected in Schedule No. 3-A on page 36.

Issue 4

Capital Recovery Amortization

The OPC would like to express its appreciation of the Commission Staff recommended extension of the amortization period to 10 years for undepreciated water and wastewater plant balances in order to spread the recovery of these costs over a longer period in order to mitigate the immediate annual rate impacts pursuant to Rule 25-30.433(10), Florida Administrative Code.

Schedule Nos. 3-A and 3-B

The OPC would note the per Utility rate base and capital structure amounts match the amounts in Exhibits 1 and 2 on pages 17 and 18 from the Staff Audit Report issued May 19, 2025. However, the per Utility NOI amounts in Schedule Nos. 3-A and 3-B on pages 36 and 37 of the Staff Report do not match the amounts in Exhibit 3 on page 19 of the Staff Audit Report. Schedule Nos. 3-A and 3-B appears to have omitted the per Utility amounts for CIAC Amortized Expense of $45,823 for water and $22,184 for wastewater. Further, Schedule Nos. 3-A and 3-B reflect per Utility taxes other than income (TOTI) of $20,254 for water and $14,882 for wastewater, whereas the Exhibit 3 of the Staff Audit Report reflects per Utility TOTI of $11,151 for water and $8,997 for wastewater. For transparency purposes, the OPC urges the Commission staff to provide reconciliatory explanation for the difference in its per Utility NOI amounts and the Staff Audit Report in its recommendation scheduled to be filed on October 23, 2025.

Other Observations and Recommendations

Given the level of the preliminarily identified water increase amounts for water and wastewater identified in the Staff Report, the OPC recommends that the Staff consider and consider recommending that phased-rate increases be implemented for Grenelefe for rate increases that are found to be absolutely necessary. A Phase One rate increase could embed in the water and wastewater revenue requirements all pro forma projects to be completed in the 2025 calendar year, along with associated capital recovery amortization and any expected O&M expense reductions resulting from the completion of the pro forma projects. A Phase Two rate increase could embed in the water and wastewater revenue requirements all pro forma projects to be placed into service by the 2026 calendar year along with associated capital recovery amortization and any expected O&M expense reductions resulting from the completion of the pro forma projects. This second phase could also include the imputation of post-test year expected CIAC collection by the 2025 calendar year-end and the annualization of revenues estimated billing determinants for the 2025 calendar year-end, as well as the implementation of Phase Two rates upon the Commission Staff's verification of the completion of all 2026 pro forma projects. The concept of Phases One and Two could be addressed in the recommendation scheduled to be filed on October 23, 2025. Further, a true-up of the 2026 pro forma plant projects approved in Phase Two rate increases based on the Utility's submission of the actual amounts of the 2026 pro forma projects by March 31, 2027, for the Commission Staff to address the disposition of the true-up through the filing of a subsequent recommendation no later than 120 days after the Utility's submission.

In support of this recommended phased-rate increases approach, the OPC would note that the Commission has routinely approved in the past phased-rates increases for SARCs. The PAA Order, is scheduled to be issued November 24, 2025, could include Phase One rate increase, to the extent that the revenue requirements are prudent and reasonable and unavoidable pursuant to environmental and other mandates, this would give the Utility an immediate relief on actual and anticipated plant investments through the 2025 calendar year-end. In addition, any PAA order addressing Phase Two rate increase to be implemented upon the Commission Staff's verification of the completion of all 2026 pro forma projects can be utilized to secure long-term debt financing for the 2026 pro forma projects because the principal and interest payments for long-term construction loans typically begin after the construction is completed and the loan converts to permanent, traditional long-term debt issuance. The OPC notes that a similar proposed true-up procedure was done in Docket No. 20110200-WU.[2]

Conclusion

In conclusion, the OPC respectfully requests the Staff and the Commission consider our above-mentioned observations and recommendations.

Respectfully submitted,

/s/ Bart Fletcher

Bart Fletcher
Legislative Analyst

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[2] See Order No. PSC-2016-0573-PAA-WU.