

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited alternative rate increase in Hardee, Manatee, Marion, Polk, and Pasco Counties, by Charlie Creek Utilities, LLC, Crestridge Utilities, LLC, East Marion Utilities, LLC, Heather Hills Utilities, LLC, Holiday Gardens Utilities, LLC, Lake Yale Utilities, LLC, McLeod Gardens Utilities, LLC, Orange Land Utilities, LLC, Sunny Shores Utilities, LLC, Sunrise Water, LLC and West Lakeland Wastewater, LLC.

DOCKET NO. 20220185-WS
ORDER NO. PSC-2025-0181-PAA-WS
ISSUED: May 30, 2025

The following Commissioners participated in the disposition of this matter:

MIKE LA ROSA, Chairman
ART GRAHAM
GARY F. CLARK
ANDREW GILES FAY
GABRIELLA PASSIDOMO SMITH

NOTICE OF PROPOSED AGENCY ACTION

ORDER ON EARNINGS REVIEW OF CHARLIE CREEK UTILITIES, LLC;
CRESTRIDGE UTILITIES, LLC; EAST MARION UTILITIES, LLC; HEATHER HILLS
UTILITIES, LLC; HOLIDAY GARDENS UTILITIES, LLC; LAKE YALE UTILITIES, LLC;
MCLEOD GARDENS UTILITIES, LLC; ORANGE LAND UTILITIES, LLC; SUNNY
SHORES UTILITIES, LLC; SUNRISE WATER, LLC; AND WEST LAKELAND
WASTEWATER, LLC

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Case Background

On November 4, 2022, Florida Utility Services 1, LLC (FUS1) filed an application for a limited alternative rate increase (LARI) pursuant to Rule 25-30.457, Florida Administrative Code (F.A.C.) for the following systems: Charlie Creek Utilities, LLC (Charlie Creek); Crestridge Utilities, LLC (Crestridge); East Marion, LLC (East Marion); Heather Hills Utilities, LLC (Heather Hills); Holiday Gardens Utilities, LLC (Holiday Gardens); Lake Yale Utilities, LLC (Lake Yale); McLeod Gardens, LLC (McLeod Gardens); Orange Land Utilities, LLC (Orange

Land); Sunny Shores Utilities, LLC (Sunny Shores); Sunrise Water, LLC (Sunrise); and West Lakeland Wastewater, LLC (West Lakeland).

By Order No. PSC-2023-0192-PAA-WS, issued June 30, 2023, we approved a limited alternative rate increase for the above-referenced systems. Each utility was required to hold any revenue increase granted subject to refund with interest in accordance with Rule 25-30.360(4), F.A.C. In order to ensure overearnings did not occur with the implementation of the rate increases, we conducted an earnings review of the 12-month period following the implementation of the revenue increases. At the end of the 12-month period, each utility had 90 days to complete and file Form PSC 1025 (03/20), titled: "Limited Alternative Rate Increase Earnings Review." On August 22, 2024, by email, FUS1 indicated that for all systems, except Heather Hills and Sunny Shores, the earnings review period would be from September 2023 to August 2024, because the LARI rates were billed starting with the September 2023 usage. Because Heather Hills and Sunny Shores bill quarterly, the LARI rates were billed starting with the October 2023 usage, and as a result, the earnings review period would be October 2023 to September 2024.¹ The forms for each of the utilities were submitted on December 2, 2024.

Pursuant to Rule 25-30.457, F.A.C., if the earning reviews demonstrate that the utility exceeded the range of its last authorized rate of return on equity, such overearnings, up to the amount held subject to refund, with interest, shall be disposed of for the benefit of the customers. If we determine that the utility did not exceed the range of its last authorized return on equity, the revenue increase will no longer be held subject to refund. Based on a review of the earnings, three of the systems reported overearnings.

On April 9, 2025, East Marion and the Office of Public Counsel (OPC) filed an agreement in regards to the disposition of the overearnings for its system.² Both East Marion and OPC agreed that the overearnings associated with East Marion system should be booked to CIAC due to the expense of making such a small refund exceeding the amount of the refund.

This Order addresses the earnings review. The Commission has jurisdiction pursuant to Section 367.0814(9) and 367.121(1), Florida Statutes (F.S.).

Decision

I. Earnings review and determination of appropriate revenue requirements for any utility determined to be overearning.

Pursuant to Rule 25-30.457(8), F.A.C., FUS1 filed its earnings review of the fourteen systems included in the LARI on December 2, 2024.³ After discussion with OPC in a telephone conference on February 28, 2025, FUS1 filed revisions to its Schedule No. 2 for each system.⁴ Three of those systems were found to be overearning as shown below in Table 1. Those three

¹ Document No. 09361-2024, filed on October 4, 2024.

² Document No. 02721-2025, filed on April 9, 2025.

³ Document No. 10075-2024, filed December 2, 2024.

⁴ Document No. 01340-2025, filed March 5, 2025.

systems are Crestridge, the water system for East Marion, and the wastewater system for Lake Yale.

Table 1
Results of Earnings Review⁵

<u>Utility</u>	<u>System</u>	<u>Allowed</u>	<u>Earned</u>
Charlie Creek Utilities	Water	10.00%	9.85%
Crestridge Utilities **	Water	10.77%	43.17%
East Marion Utilities**	Water	10.00%	10.52%
East Marion Utilities	Wastewater	10.00%	-3.15%
Heather Hills Utilities	Water	12.00%	11.19%
Heather Hills Utilities	Wastewater	12.00%	6.51%
Holiday Gardens Utilities	Water	8.24%	1.77%
Lake Yale Utilities	Water	7.04%	5.80%
Lake Yale Utilities **	Wastewater	12.00%	44.01%
McLeod Gardens	Water	12.00%	11.54%
Orange Land Utilities	Water	8.93%	-19.87%
Sunny Shores Utilities	Water	12.00%	4.99%
Sunrise Utilities	Water	10.00%	-1.36%
West Lakeland Wastewater	Wastewater	12.00%	1.41%

Sources: Document Nos. 10075-2024, 00421-2025, 01340-2025.

Crestridge Utilities, LLC.

In its earnings review, Crestridge reported a rate base of \$117,631, a net operating income of \$50,781 and annual revenues of \$289,273. This resulted in earnings of 43.17 percent ($\$50,781 \div \$117,631$). In Crestridge's previous rate case, the Commission approved a return on equity (ROE) of 11.16 percent with a range of 10.16 percent to 12.16 percent.⁶ Based on Crestridge's updated Schedule No. 2, filed on March 5, 2025, Crestridge had an allowed rate of return of 10.77 percent. This resulted in overearnings of approximately \$38,112, or 13.18 percent ($\$38,112 \div \$289,273$) for the 12-month period ended August 31, 2024. As such, we find an adjusted revenue requirement for Crestridge of \$251,161 ($\$289,273 - \$38,112$) to be appropriate.

East Marion Utilities, LLC.

In its earnings review, the water system for East Marion recorded a net operating income of \$4,061; annual revenues of \$50,720; and an adjusted operations and maintenance (O&M) expense of \$38,598. Pursuant to Section 367.081(4)(b)(1)(e), F.S., we removed the rate case expense of \$499 from the overall O&M expense of \$39,097. This resulted in earnings of 10.52 percent ($\$4,061 \div \$38,598$).

⁵**Denotes system that is overearning.

⁶Order No. PSC-2017-0042-PAA-WU, issued February 1, 2017, in Docket No. 20140175-WU; *In re: Application for staff-assisted rate case in Pasco County by Crestridge Utilities, LLC.*

Using the operating ratio methodology approved at the time, the Commission approved an operating margin of 10.00 percent in East Marion's prior rate case.⁷ This resulted in overearnings of approximately \$201, or 0.40 percent ($\$201 \div \$50,720$) for the 12-month period ended August 31, 2024. As such, we find an adjusted revenue requirement for East Marion's water system of \$50,519 ($\$50,720 - \201). Therefore, we find no further adjustment to the revenue requirement for the East Marion wastewater system is necessary.

Lake Yale Utilities, LLC.

In its earnings review, the wastewater system for Lake Yale recorded net operating income of \$34,639; annual revenues of \$124,155; and an adjusted O&M expense of \$78,711. Pursuant to Section 367.081(4)(b)(1)(e), F.S., we removed the rate case expense of \$188 from the overall O&M expense of \$78,899. There was no purchased wastewater expense for the Lake Yale wastewater system. This resulted in earnings of 44.01 percent ($\$34,639 \div \$78,711$).

Using the operating ratio methodology approved at the time, the Commission approved an operating margin of 12.00 percent in Lake Yale's prior rate case.⁸ This resulted in overearnings of approximately \$25,194, or 20.29 percent ($\$25,194 \div \$124,155$) for the 12-month period ended August 31, 2024. As such, we find an adjusted revenue requirement for Lake Yale's wastewater system of \$98,961 ($\$124,155 - \$25,194$). We find no further adjustment to the revenue requirement for the Lake Yale water system is necessary.

II. Appropriate monthly service rates for the three systems that are overearning.

Crestridge and Lake Yale had price index rate increases effective June 1, 2024, during their earnings review period. In order to determine the appropriate percentage reduction to the rates for removal of overearnings, revenues should be annualized and compared to the adjusted revenue requirements in Issue 1. For East Marion, due to the less than one percent reduction to rates, we find that the rates remain unchanged. The existing service rates for Crestridge and Lake Yale shall be decreased by its respective percentage shown in Table 2.

Table 2
Percentage Rate Decrease

Utility	(1) Annualized Revenues	(2) Adjusted Revenue Requirement	(3) (2) – (1) Annual Overearning	(4) (3)/(1) % Rate Decrease
Crestridge	\$290,885	\$251,161	-\$39,724	-13.66%
Lake Yale (wastewater)	\$127,429	\$98,961	-\$28,468	-22.34%

⁷Order No. PSC-2017-0107-PAA-WS, issued March 24, 2017, in Docket No. 20150257-WS; *In re: Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.*

⁸Order No. PSC-2021-0106-PAA-WS, issued March 17, 2021, in Docket No. 20200169-WS; *In re: Application for staff-assisted rate case in Lake County, and request for interim rate increased, by Lake Yale Utilities, LLC.*

We calculated rates by applying the percentage rate decreases across-the-board to the existing rates for each utility. Further, Lake Yale wastewater rates include amortized rate case expense that expired on April 17, 2025. The rates which implemented the rate case amortization were effective April 17, 2021. However, they were first billed with the May 2021 usage. Typically, the removal of rate case expense is processed administratively by our staff based on our approved reductions. However, due to the timing of reducing the rates for the overearnings, we find it is appropriate to remove the rate case expense from our reduced rates in order to avoid two rate changes in a short time frame and any confusion it may create on the customers. As a result, the decreased rates due to the overearnings are also reduced by the rate case expense reductions approved in Order No. PSC-2021-0106-PAA-WS.⁹ In addition, we acknowledge that FUS1 provided reduced rates to remove the overearnings.¹⁰ Upon review, we determined that the initial proposed rates created an underearning of our adjusted revenue requirement. Therefore, we find FUS1's proposed rates inappropriate.

In conclusion, the appropriate service rates are shown on Schedule No. 1, attached to this Order. Crestridge and Lake Yale shall file tariff sheets and proposed customer notices to reflect the Commission-approved rates. East Marion's rates shall remain unchanged. The approved rates shall 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 rates shall not be implemented until our staff has approved the proposed customer notices. The utilities shall provide proof of the date notice was given no less than 10 days after the date of the notice.

III. Disposition of the overearnings.

Pursuant to Rule 25-30.457(8)(c), F.A.C., if our earnings review demonstrates that the utility exceeded the range of its last authorized rate of return on equity, the amount held subject to refund, with interest, shall be disposed of for the benefit of the customers. In determining the appropriate refund for East Marion and Lake Yale, for the refund period of July 1, 2023, to the implementation of the reduced rates, the revenues calculated using the reduced rates shall be subtracted from the revenues collected. For Lake Yale, the rates prior to removing the rate case expense shall be used to calculate the refund. The refund for Crestridge and Lake Yale shall be conducted pursuant to Rule 25-30.360, F.A.C. For East Marion, the refund shall be recorded as CIAC pursuant to the agreement with OPC.

Based on the above, for Crestridge and Lake Yale, the customers shall be provided a refund pursuant to Rule 25-30.360(4), F.A.C. For East Marion, the refund shall be recorded as CIAC pursuant to the agreement with OPC. In determining the appropriate refund, for the refund period, the revenues calculated using the reduced rates from removing the overearnings shall be subtracted from the revenues collected. Our Commission staff shall hereby be given administrative authority to approve the refund amount based on the aforementioned calculation prior to the commencing of the refund. The refunds shall be made with interest in accordance with Rule 25-30.360(4) F.A.C. Pursuant to Rule 25-30.360(7), the refund shall be made within 90 days of the Commission's order. During the process of the refund, monthly reports on the status of the refund shall be made by the 20th of the following month.

⁹ Id. page 43

¹⁰ Document No. 00422-2025, filed January 24, 2025.

Based on the foregoing, it is

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. It is further

ORDERED by the Florida Public Service Commission that, for the three systems determined herein to be overearning, the appropriate revenue requirements shall be adjusted to \$251,161 for Crestridge; \$50,519 for East Marion's water system; and \$98,961 for Lake Yale's wastewater system. It is further

ORDERED by the Florida Public Service Commission that the appropriate service rates for Crestridge Utilities, LLC, and Lake Yale Utilities, LLC, are shown on Schedule No. 1, attached to this Order. It is further

ORDERED that all matters contained in the schedules appended hereto are incorporated herein by reference. It is further

ORDERED by the Florida Public Service Commission that Crestridge Utilities, LLC, and Lake Yale Utilities, LLC, shall file tariff sheets and proposed customer notices to reflect the Commission-approved rates. It is further

ORDERED that customers of Crestridge Utilities, LLC, and Lake Yale Utilities, LLC, shall be provided a refund pursuant to Rule 25-30.360(4), F.A.C. For East Marion, the refund shall be recorded as CIAC pursuant to the agreement with OPC. Our staff is hereby given administrative authority to approve the refund amount based on the above prior to the commencing of the refund. It is further

ORDERED that if no person whose substantial interest are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order shall be issued. The docket shall remain open for Commission staff's verification that the refunds have been completed and the revised tariff sheets and customer notice filed for approval by Commission staff. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 30th day of May, 2025.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
(850) 413-6770
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

TPS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 20, 2025.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Crestridge Utilities, LLC		Schedule No. 1
Earnings Review Period Ended August 31, 2024		Docket No. 20220185-WS
Monthly Water Rates		Page 1 of 2
	UTILITY'S EXISTING RATES	COMMISSION APPROVED OVEREARNINGS REDUCED RATES
Residential and General Service		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$16.70	\$14.42
3/4"	\$25.05	\$21.63
1"	\$41.75	\$36.05
1-1/2"	\$83.50	\$72.10
2"	\$133.60	\$115.36
3"	\$267.20	\$230.72
4"	\$417.50	\$360.50
6"	\$835.00	\$721.00
Charge per 1,000 gallons - Residential		
0-3,000 Gallons	\$5.49	\$4.74
Over 3,000 Gallons	\$10.90	\$9.41
Charge per 1,000 gallons - General Service		
	\$6.96	\$6.01
Typical Residential 5/8" x 3/4" Meter Bill Comparison		
2,000 Gallons	\$27.68	\$23.90
6,000 Gallons	\$65.87	\$56.87
8,000 Gallons	\$87.67	\$75.69

Lake Yale Utilities, LLC Earnings Review Period Ended August 31, 2024 Monthly Wastewater Rates				Schedule No. 1 Docket No. 20220185 - WS Page 2 of 2
	UTILITY'S EXISTING RATES	OVEREARNINGS REDUCED RATES	4 YEAR RATE REDUCTION	COMMISSION APPROVED RATES
<u>Residential Service</u>				
All Meter Sizes	\$18.39	\$14.28	\$0.04	\$14.24
Charge per 1,000 gallons - Residential 6,000 gallonage cap	\$10.77	\$8.36	\$0.02	\$8.34
<u>General Service</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$18.39	\$14.28	\$0.04	\$14.24
3/4"	\$27.59	\$21.42	\$0.06	\$21.36
1"	\$45.98	\$35.70	\$0.10	\$35.60
1-1/2"	\$91.95	\$71.40	\$0.20	\$71.20
2"	\$147.12	\$114.24	\$0.32	\$113.92
3"	\$294.24	\$228.48	\$0.64	\$227.84
4"	\$459.75	\$357.00	\$1.00	\$356.00
6"	\$919.50	\$714.00	\$2.00	\$712.00
8"	\$1,471.20	\$1,142.40	\$3.20	\$1,139.20
Charge per 1,000 gallons - General Service	\$12.92	\$10.03	\$0.03	\$10.00
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
2,000 Gallons	\$39.93	\$31.00		\$30.92
6,000 Gallons	\$83.01	\$64.44		\$64.28
8,000 Gallons	\$83.01	\$64.44		\$64.28