

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: February 19, 2026

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Gatlin, Vogel) *MC*
Division of Economics (Sibley) *EDD*
Office of the General Counsel (M. Thompson) *JSC*

RE: Docket No. 20260015-WU – Joint motion requesting Commission approval of settlement agreement by the Office of Public Counsel and Leighton Estates Utilities, LLC.

AGENDA: 03/03/26 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Leighton Estates Utilities, LLC (Leighton Estates or Utility) is a Class C water utility serving approximately 86 customers in Marion County, Florida. On December 22, 2022, the Florida Public Service Commission (Commission) authorized a 10.45 percent return on equity (ROE) with an authorized range of 9.45 percent to 11.45 percent and a rate of return of 6.83 percent, as codified by Order No. PSC-2022-0435-PAA-WU. Based on the review of Leighton Estates' 2024 Annual Report, Commission staff identified potential overearnings with a reported rate of return of 7.82 percent and an achieved ROE of 20.03 percent.

On November 21, 2025, the Office of Public Counsel (OPC) filed a letter with the Commission outlining concerns of potential water and wastewater utilities overearning, with Leighton Estates

being the only utility requiring a reduction. On December 12, 2025, OPC and Commission staff held a conference call to discuss the possible overearnings of Leighton Estates and other utilities. On December 22, 2025, the owner of Leighton Estates, Mike Smallridge, reached out to staff and inquired about a voluntary rate reduction and a refund to customers. Leighton Estates and OPC (collectively known as the Parties) conducted informal meetings to analyze the financial data provided by Leighton Estates and to determine the appropriate disposition of the potential overearnings. On January 29, 2026, the Parties filed a joint motion requesting Commission approval of a Settlement Agreement to resolve the potential overearnings and to avert future overearnings.

The purpose of this recommendation is to present the Parties' Settlement Agreement to the Commission for approval. The Joint Motion and Settlement Agreement are attached as Attachment A. The Commission has jurisdiction pursuant to Sections 367.081, 367.082, and 367.121, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission grant the Joint Motion and approve the Settlement Agreement by the Parties?

Recommendation: Yes. The proposed Settlement Agreement adequately addresses the potential overearnings staff identified during its ongoing earnings surveillance activities. As outlined in the proposed Settlement Agreement, Leighton Estates should reduce its rates by 11.60 percent. Additionally, Leighton Estates should refund customers 11.60 percent of water revenues billed from January 1, 2026, until the effective date of the rate reduction. The refund should be made pursuant to Rule 25-30.360, Florida Administrative Code (F.A.C). The Utility should file a proposed customer notice reflecting the Commission's decision within 15 days of the Commission vote. The approved rates should be effective for service rendered on or after the stamped approval date of 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. (Gatlin, Sibley)

Staff Analysis: As stated in the case background, staff identified possible overearnings based upon a review of Leighton Estates' 2024 Annual Report. On January 29, 2026, the Parties filed a Joint Motion to request Commission approval of a Settlement Agreement to resolve the disposition of ongoing overearnings. Leighton Estates agreed to reduce its rates by 11.60 percent to ensure it will remain within range of its ROE. Furthermore, Leighton Estates agreed to refund customers 11.60 percent of water revenues billed from January 1, 2026, until the effective date of the rate reduction. The refund credit will be based upon each individual customer's billed amounts from January 1, 2026, until the effective date of the rate reduction, and will be made pursuant to Rule 25-30.360, F.A.C.

In keeping with the Commission's long-standing policy and practice of encouraging parties to settle issues whenever possible, staff recommends that the Commission grant the Joint Motion and approve the Settlement Agreement by the Parties. The settlement provides protections for Leighton Estates' customers for possible overearnings in subsequent years. Staff notes that this recommendation is consistent with other Commission decisions regarding possible overearnings.¹ Schedule No. 1 reflects the Utility's existing rates and staff's recommended rates per the Utility's settlement proposal. Staff will continue to monitor the earnings of the Utility, and if any subsequent overearnings are identified, staff may open a formal earnings investigation.

Conclusion

The proposed Settlement Agreement adequately addresses the potential overearnings staff identified during its ongoing earnings surveillance activities. As outlined in the proposed Settlement Agreement, Leighton Estates should reduce its rates by 11.60 percent. Additionally, Leighton Estates should refund customers 11.60 percent of water revenues billed from January 1, 2026, until the effective date of the rate reduction. The refund should be made pursuant to Rule

¹ Order No. PSC-15-0173-PAA-WS, issued May 5, 2015, in Docket No. 20150069-WS, *In re: Settlement proposal for possible overearnings by Southlake Utilities, Inc. in Lake County.*

25-30.360, F.A.C. The Utility should file a proposed customer notice reflecting the Commission's decision within 15 days of the Commission vote. The approved rates should be effective for service rendered on or after the stamped approval date of 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 2: Should this docket be closed?

Recommendation: No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to verify completion of the refunds discussed in Issue 1. Once staff has verified that the refunds have been made in accordance with Rule 25-30.360, F.A.C., the docket should be closed administratively. (M. Thompson)

Staff Analysis: If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to verify completion of the refunds discussed in Issue 1. Once staff has verified that the refunds have been made in accordance with Rule 25-30.360, F.A.C., the docket should be closed administratively.

LEIGHTON ESTATES UTILITIES, LLC		SCHEDULE NO. 1	
MONTHLY WATER RATES		DOCKET NO. 20260015-WU	
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	
Residential and General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$24.27	\$15.61	
3/4"	\$36.41	\$23.42	
1"	\$60.68	\$39.03	
1-1/2"	\$121.35	\$78.05	
2"	\$194.16	\$124.88	
3"	\$388.32	\$249.76	
4"	\$606.75	\$390.25	
6"	\$1,213.50	\$780.50	
Charge per 1,000 gallons - Residential Service			
0 - 4,000 gallons	\$11.03	\$9.75	
Over 4,000 gallons	\$13.79	\$12.19	
Charge per 1,000 gallons - General Service			
	\$11.28	\$9.97	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
5,000 Gallons	\$82.18	\$66.80	
10,000 Gallons	\$151.13	\$127.75	
15,000 Gallons	\$220.08	\$188.70	

Exhibit "A"

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Disposition of 2026 Overearnings for
Leighton Estates Utilities, LLC:

Docket No. 2026 _____

Filed: January 29, 2026

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into this 29th day of January, 2026, by and between Leighton Estates Utilities, LLC. (hereafter referred to as "Leighton"), and the Office of Public Counsel ("OPC"), on behalf of the Citizens of the State of Florida ("Citizens") and customers of Leighton (hereafter, "Parties").

WITNESSETH

WHEREAS, the OPC identified possible 2025 overearnings based upon the review of the 2024 Annual Report of Leighton;¹

WHEREAS, on December 12, 2025, a conference call meeting between the staff of the Florida Public Service Commission ("Commission" or "FPSC") and the OPC were held to discuss the possible overearnings of Leighton and other utilities;

WHEREAS, on January 8, 2026, staff of the FPSC inquired whether Leighton had reached out to the OPC regarding the amount of overearnings and a voluntary rate reduction;

WHEREAS, on January 20-21, 2026, the Parties conducted further discussions and evaluation of additional data provided by Leighton to OPC on such overearnings;

¹ See Document No. 15204-2025 - OPC (Fletcher) - Letter dated 11/21/25, providing summary of review of possible WAW overearning for reporting year 2024 for Kirby D. Morgan, Inc., and Lake Yale Utilities, LLC for wastewater, and Leighton Estates Utilities, LLC, and Ni Florida, Inc. for water.

WHEREAS, the Parties to this Agreement have undertaken in good faith to reasonably and amicably resolve the issues raised in this proceeding so as to maintain a degree of fairness, stability and predictability with respect to customer bills;

WHEREAS, the Parties have entered into this Settlement Agreement in compromise of positions that could be taken in accord with their rights and interests under Chapters 350 and 367, Florida Statutes, as applicable, and, as a part of the negotiated exchange of consideration among the parties to this agreement, each has agreed to concessions to the others with the expectation that all provisions of this Settlement Agreement will be enforced by the Commission as to all matters addressed herein with respect to all parties regardless of whether a court ultimately determines such matters to reflect Commission policy, upon acceptance of the agreement as provided herein and upon approval in the public interest; and

NOW THEREFORE, the parties agree to the following:

1. **Leighton Estates Utilities, LLC**: Leighton Estate Utilities, LLC (Leighton) agrees to reduce its base facility charge and gallonage charges by 11.60%. In addition, Leighton also agrees to refund via credit on its customers' accounts 11.60% of water revenues billed from January 1, 2026 until the effective date of the rate reduction. The refunds shall be made pursuant to Rule 25-30.360(3), Florida Administrative Code. This refund credit shall be based upon each individual customer's billed amounts from January 1, 2026 until the effective date of the rate reduction.

2. In keeping with the Commission's long-standing policy and practice of encouraging parties to settle issues whenever possible, the Parties submit this Settlement Agreement for review and approval. The Parties agree that this Settlement Agreement is in the public interest. The provisions of this Settlement Agreement are contingent on approval of this Settlement Agreement in its entirety by the Commission without modification. The Parties further agree that they will support

this Settlement Agreement and will not request or support any order, relief, outcome, or result in conflict with the terms of this Settlement Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Settlement Agreement or the subject matter hereof. No Party will assert in any proceeding before the Commission that this Settlement Agreement nor any of the terms herein shall have any precedential value nor may it be used in any other proceeding. To the extent a dispute arises among the parties about the provisions, interpretation, or application of this agreement, the parties agree to meet and confer in an effort to resolve the dispute. To the extent that the Parties cannot resolve any dispute, the matter may be submitted to the Commission for resolution. Approval of this Settlement Agreement in its entirety will resolve all matters and issues discussed herein pursuant to and in accordance with Section 120.57(4), Florida Statutes. This docket should be closed administratively after Commission staff verifies the revised tariff sheets, customer notices have been mailed, and refunds have been made.

IN WITNESS WHEREOF, the Parties evidence their acceptance and agreement with the provisions of this Settlement Agreement by their signature.

OFFICE OF PUBLIC COUNSEL

Date: 1. 29, 2026

By: 

Charles Rehwinkel;
Deputy Public Counsel

Attorney for the Citizens
of the State of Florida

LEIGHTON ESTATES UTILITIES

Date: 1-29-26

By: 

Mike Smallridge;
Managing Member

Leighton Estates Utilities, LLC