

State of Florida



# Public Service Commission

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

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**DATE:** April 15, 2026

**TO:** Devlin Higgins, Chief of Finance, Tax & Cost Recovery, Division of Accounting & Finance

**FROM:** Division of Accounting and Finance (Lenberg, G. Kelley)  
Division of Economics (Bruce, Rashawn)  
Division of Engineering (Ellis, King, Willis)  
Office of the General Counsel (Farooqi, Imig)

**RE:** Docket No. 20250108-WS – Application for staff-assisted rate case in Lake County, by Sunlake Estates Utilities, L.L.C.

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**-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 May 15, 2026.**

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## Case Background

Sunlake Estates Utilities, L.L.C. (Sunlake or Utility) is a Class C Utility providing water service to 454 residential customers and 7 general service customers in Lake County. In 2014, the Commission granted the Utility certificates for the water and wastewater systems.<sup>1</sup> Subsequently, the Utility's rates were amended by five price index adjustments with the last increase approved effective June 13, 2025. The Utility is a wholly-owned subsidiary of Sun Communities Finance, LLC, and files a partnership tax return.

On September 2, 2025, the Utility filed an application for a staff-assisted rate case (SARC).<sup>2</sup> Sunlake's SARC application was filed for both water and wastewater. However, Sunlake withdrew the wastewater portion of the SARC on March 19, 2026.<sup>3</sup> According to the Sunlake 2024 Annual Report, gross revenues for water were \$108,001 and operating expenses were \$142,674.

This Staff Report is a preliminary analysis of the Utility's books and records. This report is prepared by Commission staff to give customers and the Utility an advanced look at staff's initial recommendations. The final recommendation is scheduled to be filed on July 23, 2026, and addressed at the August 4, 2026 Commission Conference. The preliminary recommendations may be revised as necessary. The revisions would be based on 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 May 15, 2026.

The Commission has jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, Florida Statutes (F.S.).

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<sup>1</sup> Order No. PSC-2014-0018-PAA-WS, issued on January 7, 2014, in Docket No. 20130180-WS, *In re: Application for original certificates to provide water and wastewater service in Lake County by Sunlake Estates Utilities, L.L.C.*

<sup>2</sup> Document No. 08854-2025, filed September 2, 2025.

<sup>3</sup> Document No. 01642-2026, filed March 19, 2026.

## Discussion of Issues

**Issue 1:** Is the quality of service provided by Sunlake Estates Utilities, L.L.C. satisfactory?

**Preliminary Recommendation:** Staff's recommendation regarding quality of service will not be finalized until after the customer meeting scheduled for May 15, 2026. (Willis)

**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 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 and the Utility's attempt to address customer satisfaction. The rule further states that the most recent chemical analyses for the water system, outstanding citations, violations, and consent orders on file with the Florida 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 condition of the water system is addressed in Issue 2.

### Quality of the Utility's Product

In evaluating Sunlake'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 the taste, odor, and color of drinking water. In the DEP's last Sanitary Survey Report dated July 2, 2024, no chemical or bacteriological exceedances were noted for the previous 12 months, except for the groundwater nitrate levels. The DEP indicated on the Discharge Monitoring Report from April 2024 that the nitrate limit of 10.0 milligrams per liter (mg/L) was exceeded at 11 mg/L. However, DEP indicated that this was an isolated event and no further action was required from the Utility. Other than groundwater quality, the Utility was determined to be in compliance with the DEP standards. In the Utility's last Consumer Confidence Report dated June 16, 2025, no violations of contaminant levels were noted for the testing period.

### The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), received by the Utility, and filed with the DEP for the test year and four years prior. There was one complaint filed in CATS regarding the number of line breaks, interruptions in service, and boil-water notices. A review of that complaint indicates the Utility responded to the Commission and customer, but failed to do so within 15 days of the complaint being filed with the Commission as required by Rule 25-30.355(1), F.A.C. The Utility reported that it received no complaints during this timeframe. The DEP responded that it received no complaints during this timeframe.

### Conclusion

Staff's recommendation regarding quality of service will not be finalized until after the customer meeting scheduled for May 15, 2026.

**Issue 2:** Are the infrastructure and operating conditions of Sunlake Estates Utilities, L.L.C. in compliance with DEP regulations?

**Preliminary Recommendation:** Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for May 15, 2026. (Willis)

**Staff Analysis:** Rule 25-30.225(2), F.A.C., requires each water utility to maintain and operate its plant and facilities 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 systems, citations, violations and consent orders issued to the utility, customer testimony, comments, complaints, utility testimony, and responses to the aforementioned items.

### **Water System Operating Conditions**

Sunlake's water system has a permitted capacity of 639,000 gallons per day and has two 12-inch diameter wells and one hydropneumatic storage tank. Well No. 1 has a pumping capacity of 500 gallons per minute (gpm). Well No. 2 has a pumping capacity of 588 gpm. The single hydropneumatic storage tank has a capacity of 10,500 gallons. The groundwater is treated by hypochlorination. The DEP conducted an inspection of Sunlake's water treatment plant (WTP) on July 2, 2024. The resulting Sanitary Survey Report indicated the facility was in compliance with the DEP's rules and regulations, except the groundwater quality, which was resolved, as stated in Issue 1.

### **Conclusion**

Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for May 15, 2026.

**Issue 3:** What are the used and useful (U&U) percentages of Sunlake Estates Utilities, L.L.C.'s water treatment plant (WTP) and water distribution system?

**Preliminary Recommendation:** Sunlake's WTP and water distribution system should both be considered 100 percent U&U. Staff has reached a preliminary determination of 17.63 percent excessive unaccounted for water (EUW). However, no adjustment for EUW is being recommended at this time since these are preliminary determinations and are subject to change. (Willis)

**Staff Analysis:** As stated in Issue 2, Sunlake's water system is served by two 12-inch diameter wells rated at 500 gpm and 588 gpm. The Utility is permitted by DEP to withdraw an average of 639,000 gallons per day. In response to staff data requests, the Utility stated it did not have an as-built system map for its water distribution system and was unable to provide information on pipe material, diameter, or length. The distribution system has 40 fire hydrants.

### **Excessive Unaccounted for Water**

Rule 25-30.4325, F.A.C., 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." Unaccounted for water is all water that is not sold, metered, or accounted for in the records of the Utility.

EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services such as line flushing, from the total gallons pumped and purchased for the test year, and dividing by the sum of the gallons pumped and purchased. The amount in excess of 10 percent, if any, is the EUW percentage.

A review of Sunlake's 2024 monthly operating reports on file with the DEP indicates the Utility produced 47,507,000 gallons of water during the test year. In response to staff's data requests, the Utility indicated that it purchases no water and did not identify any other water uses during the test year in its annual reports. The Utility provided an estimate of line losses from known water breaks during the test year, but the estimated water lost exceeded the amount produced in all months with identified losses and during the test year as a whole. An examination of the Utility's billing records indicated 34,378,801 gallons of treated water was sold to its customers. The calculation  $(47,507,000 + 0 - 34,378,801 - 0) / (47,507,000 + 0)$  results in 27.63 percent unaccounted for water. The Rule allows a 10 percent margin; therefore, there is 17.63 percent EUW.

### **Used and Useful Percentages**

Rule 25-30.4325, F.A.C., also addresses the method by which the U&U percentage of a water system is determined. Rule 25-30.4325(4), F.A.C., states that a water treatment system is considered 100 percent U&U if the service territory the system is designed to serve is built out and there is no apparent potential for expansion of the service territory or the system is served by a single well. During its original certification in 2013, the Commission determined that the territory was built-out, resulting in a 100 percent U&U for the WTP and distribution system.<sup>4</sup>

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<sup>4</sup> Order No. PSC-14-0018-PAA-WS, issued January 7, 2014, in Docket No. 20130180-WS, *In re: Application for original certificates to provide water and wastewater service in Lake County by Sunlake Estates Utilities, L.L.C.*

Because there have been no significant changes to the water system or service territory since this determination the U&U percentage for Sunlake's WTP, and distribution system should be considered to be 100 percent.

**Conclusion**

Sunlake's WTP and water distribution system should both be considered 100 percent U&U. Staff has preliminarily calculated 17.63 percent EUW. However, no adjustment for EUW is being recommended at this time since these are preliminary determinations and are subject to change.

**Issue 4:** What is the appropriate average test year rate base for Sunlake Estates Utilities, L.L.C.?

**Preliminary Recommendation:** The appropriate average test year rate base for Sunlake is \$683,027. (Lenberg)

**Staff Analysis:** The appropriate components of the Utility’s rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation (AD), capital recovery, accumulated amortization of capital recovery, and working capital. Staff selected the test year ended December 31, 2024, for this rate case. A summary of each component and the recommended adjustments are discussed below.

**Pro Forma Plant Additions**

When evaluating a utility’s requested pro forma plant additions, the Commission considers, among other things: (i) need; (ii) reasonableness; (iii) cost; (iv) in-service date(s); and (v) alternatives, as they relate to each project. Additionally, it is Commission practice for staff to evaluate whether a minimum of three bids were solicited for each project or the Utility’s reasoning as to why three could not be obtained. Table 4-1 shows six pro forma plant projects, five of which Sunlake requested (1-5). The Utility provided information on the sixth project but did not include it in the list of pro forma projects provided in response to staff’s data requests. The Utility classified all projects as emergencies, and therefore did not seek bids for any of the projects. However, staff is continuing to investigate these projects. Each of the Utility’s requested pro forma projects are described below.

**Table 4-1  
 Pro Forma Projects**

	Project	In-Service Date	Account Number	Amount	Retirement
1.	Auto Transfer Switch at WTP Generator	4/2025	320	\$2,000	\$1,500.00
2.	New LAN Gateway System for Electronic Water Reads	10/2025	346	4,463	3,347
3.	Water Line Break at J31	2/2025	331	6,936	5,202
4.	Water Line Break 0U14	7/2025	331	5,890	4,418
5.	Water Line Replacement 0U02	7/2025	331	1,632	1,224
6.	Water Main Break	7/2025	331	<u>5,487</u>	<u>4,115</u>
	Total			<u>\$26,408</u>	<u>\$19,806</u>

Source: Sunlake’s response to staff’s second data request.

**Project 1 - Auto Transfer Switch at WTP Generator**

Project 1 is the replacement of the auto transfer switch for generator power. The purpose of the transfer switch is for the water treatment plant to automatically switch to generator power in the event of power failure. Sunlake stated that the project was deemed an emergency because the existing auto transfer switch had failed.

**Project 2 - New LAN Gateway System for Electronic Water Reads**

Project 2 is the replacement of the local access network gateway. The gateway collects consumption data ensuring accurate billing for each customer. Sunlake stated that the project was deemed an emergency because the existing gateway was damaged by lightning.

**Project 3 - Water Line Break at J31**

Project 3 is the replacement of 10 feet of a 6” water main line feeding a fire hydrant. The replacement of the main water line serving a fire hydrant was required to be in compliance with regulations necessitating that the fire hydrant always be operational.

**Project 4 - Water Line Break 0U14**

Project 4 is the replacement of 10 feet of a 6” water main line that had failed. The removal and replacement of the broken section of pipe was required to maintain water service.

**Project 5 - Water Line Replacement 0U02**

Project 5 is the replacement of 10 feet of a ¾” polyethylene pipe. The removal and replacement of the broken section of pipe was required to maintain water service.

**Project 6 - Water Main Break**

Project 6 is the replacement of 10 feet of 1” polyethylene pipe and the necessary fittings. The water main had a break underneath the road causing water to bubble underneath the asphalt. Hence, the water line needed to be replaced to maintain water service.

**Utility Plant in Service**

The Utility recorded a UPIS balance of \$942,813. Because the Utility did not maintain complete ledgers or property records for several years. Therefore, staff reconstructed UPIS using Commission Order No. PSC-2014-0018-PAA-WS, annual reports, and available invoices.<sup>5</sup>

Audit staff corrected misclassified additions, applied previously-ordered adjustments, and removed items that had been improperly booked or recorded in the wrong period. These adjustments increased UPIS by \$97,415. Staff also increased UPIS by \$64,868 to reflect an averaging adjustment.

The Utility did not record retirements from December 31, 2012, through December 31, 2024. Thus, staff decreased UPIS by \$227,469 to reflect the appropriate period retirements. Further staff reclassified O&M expenses that were incorrectly recorded in UPIS. Lastly, staff decreased UPIS by \$19,806 for pro forma retirements and increased it by \$26,408 for pro forma additions.

Overall, staff’s adjustments result in a net decrease of \$58,584. Therefore, staff recommends a UPIS balance of \$884,229.

**Capped Retirement**

In general, it is Commission practice to use the 75 percent of plant addition methodology to estimate the retirement amount of assets being replaced when the original cost is unknown. In

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<sup>5</sup> Order No. PSC-2014-0018-PAA-WS, issued on January 7, 2014, in Docket No. 20130180-WS, *In re: Application for original certificates to provide water and wastewater service in Lake County by Sunlake Estates Utilities, L.L.C.*

this case, for certain accounts, application of the 75 percent retirement methodology results in an overall negative plant balance. Therefore, staff has capped the retirement amounts at the plant balance for respective accounts in the relevant years. This methodology has been utilized in Docket No. 20160101-WS and was approved by Order No. PSC-2017-0361-FOF.<sup>6</sup> 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.”<sup>7</sup>

Due to the capped retirement, two accounts have remaining undepreciated plant balances. Staff believes that these remaining balances should be recovered as amortization expense over a seven-year period. Although Rule 25-30.433(10), F.A.C., prescribes the formula 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 seven years. Staff notes that an alternate amortization period is permitted under the 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 two accounts that have remaining undepreciated plant balances, as reflected in Table 4-2 below.

**Table 4-2**  
**Water Capital Amortization**

Account	Plant Balance	Accumulated Depreciation	Undepreciated Plant Balance	Amortization Expense
309	\$2,888	\$89	\$2,799	\$400
334	<u>53,480</u>	<u>30,736</u>	<u>22,744</u>	<u>3,249</u>
Total	<u>\$56,368</u>	<u>\$30,825</u>	<u>\$25,543</u>	<u>\$3,649</u>

Source: Staff calculations.

Staff recommends capital recovery of \$25,543 over a seven-year amortization period. The corresponding annual amortization expense is \$3,649.

**Accumulated Amortization of Capital Recovery**

As a result of the capped retirement, staff increased this amount by \$1,825 to reflect an averaging adjustment. Therefore, staff recommends an accumulated amortization balance of \$1,825.

**Land and Land Rights**

The Utility did not record a land and land rights balance. There were no land and land rights balances in the Order granting the Utility certificates for the water and wastewater systems.<sup>8</sup> The Utility operates on leased land with an annual rent of \$1. The Utility stated that the lease has had no changes since the above-referenced order and no new land leases have been entered into

<sup>6</sup> 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. of Florida.*

<sup>7</sup> *Id.*

<sup>8</sup> Order No. PSC-2014-0018-PAA-WS, issued on January 7, 2014, in Docket No. 20130180-WS, *In re: Application for original certificates to provide water and wastewater service in Lake County by Sunlake Estates Utilities, L.L.C.*

since. Staff made no adjustments to this amount and therefore, recommends land or land rights balance of \$0.

### **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.

### **Accumulated Depreciation**

The Utility recorded accumulated depreciation of \$329,643. Audit staff increased this amount by \$30,816 to reflect corrections to UPIS and the application of the correct depreciation rates per Rule 25-30.140, F.A.C.

Staff increased this amount by \$69,165 to reflect an averaging adjustment, but also decreased this amount by \$19,545 to reflect pro forma additions and retirements.

Additionally, staff decreased this amount by \$170,155 to reflect the appropriate retirements of assets, to correct over-depreciation associated with Account 364 – Flow Measuring Devices, and to reflect the updated depreciation expense associated with plant retirements recognized outside the test year. Staff's adjustments to accumulated depreciation result in a net decrease of \$89,719. Therefore, staff recommends accumulated depreciation balance of \$239,924.

### **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(3), F.A.C., staff used the one-eighth operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance.<sup>9</sup> As such, staff removed the rate case expense of \$783. This resulted in an adjusted O&M expense balance of \$120,035. Applying this formula, staff recommends a working capital allowance of \$15,004.

### **Rate Base Summary**

Based on the foregoing, staff recommends an appropriate average test year rate base of \$683,027. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

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<sup>9</sup> Order No. PSC-2025-0359-PAA-WU, issued September 24, 2025, in Docket No. 20240168-WU, *In re: Application for staff-assisted rate case in Highlands County, by Country Walk Utilities, Inc.*

**Issue 5:** What is the appropriate return on equity and overall rate of return for Sunlake Estates Utilities, L.L.C.?

**Preliminary Recommendation:** The appropriate return on equity (ROE) is 8.51 percent with a range of 7.51 percent to 9.51 percent. The appropriate overall rate of return is 8.51 percent. (Lenberg)

**Staff Analysis:** The Utility's capital structure consists of common equity. The Utility's capital structure has been reconciled to staff's recommended rate base. The ROE is 8.51 percent based on the Commission-approved leverage formula currently in effect.<sup>10</sup> Staff recommends an ROE of 8.51 percent with a range of 7.51 percent to 9.51 percent, and an overall rate of return of 8.51 percent. The ROE and overall rate of return are shown on Schedule No. 2.

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<sup>10</sup> 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 of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

**Issue 6:** What are the appropriate test year operating revenues for the water system of Sunlake Estates Utilities, L.L.C.?

**Preliminary Recommendation:** The appropriate test year operating revenues for Sunlake Estates' water system are \$126,946. (Rashawn)

**Staff Analysis:**

The Utility recorded total test year operating revenues of \$108,001 for water. The water revenues included \$108,001 of service revenues and no miscellaneous revenues. Staff's review of the audit indicated that the Utility's billing register consisted of several inaccuracies for the water system during the test year. The Utility billed an incorrect base charge of \$11.22 rather than the Commission-approved BFC of \$11.44 for the 5/8-inch x 3/4-inch meter size, which resulted in an undercharge of \$0.22 per month. During the test year, some of the residential customers' (landowners) bills were recorded as non-applicable due to a new billing system, which improperly uploaded bills to the system. Therefore, the meters were manually read; however, some of the residential usage was still missing due to customers moving in and out during the test year. As a result, staff utilized the customers' average monthly usage for the year to supplement the incomplete billing data. Furthermore, the general service customers were not billed during the test year.

In response to audit staff's request, the Utility provided revised billing data to reflect the water provided to landowners who were not billed during the test year, which resulted in an additional 573,929 gallons. Staff's accounting of the missing residential usage resulted in an additional 436,842 gallons. These additional residential gallons total 1,010,771 (573,929 + 436,842). For general service, staff discovered that the Utility's certificate case consisted of several general service customers that were not included in the billing register.<sup>11</sup> In response to staff's inquiry, the Utility provided billing data for seven general service customers. Five of the customers have two inch meters and the two customers have one inch meters. Based on the data provided, the general service consumption should be 1,987,000 gallons.

The Utility was approved for a price index rate adjustment outside of the test year effective June 13, 2025. Therefore, staff annualized test year operating revenues by applying the adjusted number of billing determinants to the rates effective June 13, 2025. As a result, staff determined test year service revenues should be \$126,946 for water. This results in an increase to service revenues of \$18,945 (\$126,946 - \$108,001) for water. Based on the above, the appropriate test year operating revenues for Sunlake Estates' water system are \$126,946.

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<sup>11</sup> Order No. PSC-2015-0211-FOF-WS, issued on May 27, 2015, in Docket No. 20150020-WS, *In re: Joint Application of GCP REIT II and Sun Communities Operating Limited Partnership for Authority for transfer of Majority Organizational Control of Sunlake Estates Utilities, L.L.C.*

**Issue 7:** What are the appropriate operating expenses for Sunlake Estates Utilities, L.L.C.?

**Preliminary Recommendation:** The appropriate operating expenses for Sunlake are \$168,143. (Lenberg)

**Staff Analysis:** The Utility recorded operating expenses of \$183,940. The test year 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)**

The Utility recorded a salaries and wages expense of \$9,643, which included payroll tax. Staff decreased this amount by \$655 to reclassify payroll taxes to Taxes Other Than Income (TOTI) and to reflect an audit adjustment. Therefore, staff recommends a salaries and wages expense of \$8,988.

### **Purchased Power (615)**

The Utility recorded purchased power expense of \$9,239. Staff increased this amount by \$545 to reflect an audit adjustment based on invoices and the appropriate allocation for the test year provided by the Utility. Therefore, staff recommends a purchased power expense of \$9,784.

As discussed in Issue 3, EUW is 17.63 percent. Staff has made no adjustments based on EUW at this time, as the staff report is preliminary. Staff will incorporate the appropriate EUW adjustments in the final recommendation. Based on preliminary calculations, the application of EUW would decrease purchased power expense by \$2,133.

### **Fuel for Power Production (616)**

The Utility did not record fuel for power production expense. Staff increased this amount by \$2,206 to reflect an audit adjustment based on the reclassification of generator fuel expense. Therefore, staff recommends a fuel for power production expense of \$2,206.

### **Contractual Services – Billing (630)**

The Utility recorded contractual services – billing expense of \$4,028. Staff made no adjustments to this amount. Therefore, staff recommends a contractual services – billing expense of \$4,028.

### **Contractual Services – Professional (631)**

The Utility recorded contractual services – professional expense of \$42,373. Audit staff decreased this amount by \$6,207 to reclassify legal expenses to Account 633 – Contractual Services - Legal. Staff increased this amount by \$1,170 to reflect an increase in the operation service provider expense. Staff further increased this amount by \$3,637 to reclassify Environmental Protection Agency (EPA) expenses that had been inappropriately recorded in Account 633 – Contractual Services Legal. Staff's net adjustment to contractual services – professional expense results in a decrease of \$1,400. Therefore, staff recommends a contractual services – professional expense of \$40,973.

### **Contractual Services – Accounting (632)**

The Utility did not record contractual services – accounting expense. The Utility requested recovery of a pro forma accounting consulting expense to ensure compliance with the NARUC Uniform System of Accounts. This pro forma expense is a non-recurring cost, associated with the water and wastewater system, with an invoice amount of \$5,850. Pursuant to Rule 25-30.433(9), F.A.C., staff allocated half of this expense to water and amortized it over five years, resulting in an increase to the test year expense of \$585. Therefore, staff recommends contractual service – accounting expense of \$585.

### **Contractual Services – Legal (633)**

The Utility did not record contractual services – legal expense. Audit staff increased this amount by \$12,247 to reclassify legal expenses that were not properly recorded. Staff decreased this amount by \$3,637 to reclassify EPA expenses to Account 631 – Contractual Services – Professional. Staff’s net adjustment to contractual services – legal expense results in an increase of \$8,610. Therefore, staff recommends a contractual services – legal expense of \$8,610.

### **Contractual Services – Other (636)**

The Utility recorded contractual services – other expense of \$76,288. Audit staff decreased this amount by \$75,378 to capitalize expenses that had been recorded in this account. In response to the Audit Report, the Utility filed a letter indicating that the work performed that had been capitalized by audit staff “are examples of maintenance and routine repairs, and part of the Utility’s ongoing cost of service, the Utility offers that these costs were properly categorized as operating expenses.”<sup>12</sup>

Staff agrees these costs should be expensed; however, staff does not believe the test year is representative of a typical year. The Utility further noted that “[t]he 2024 cost is approximately three to five times as much as cost incurred in other years.” Therefore, staff determined a baseline contractual services – other expense using a five-year average based on the Utility’s Annual Reports from 2019 through 2023, which resulted in an increase of \$36,094.

Additionally, staff increased this account by \$7,857 to reflect the difference between the five-year average and the Utility’s appropriate test year balance for this account, amortized over five years, to spread the impact of unusually high costs incurred during the test year.

Staff’s net adjustment to contractual services – other expense results in a decrease of \$31,427. Therefore, staff recommends a contractual services – other expense of \$44,861.

### **Transportation Expense (650)**

The Utility recorded transportation expense of \$1,103. Audit staff decreased this account by \$1,103 to reclassify generator fuel expense to Account 616 – Fuel for Power Production. Therefore, staff does not recommend a transportation expense.

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<sup>12</sup> Document No. 00929-2026, filed on February 4, 2026.

### **Rate Case Expense (665)**

The Utility did not record any rate case expense for this docket. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$1,609.

Staff calculated the distance from the Utility office in Grand Island, Florida, to Tallahassee as 222 miles. Based on the 2026 Internal Revenue Service (IRS) business mileage rate of \$0.725, staff calculated round trip travel and lodging expense to the Commission Conference of \$522. Additionally, the Utility paid a filing fee of \$1,000.

Staff recommends a total rate case expense, consisting of noticing costs, travel and lodging expenses, and filing fee of \$3,131, which amortized over four years is \$783. Therefore, staff recommends total annual rate case expense of \$783.

### **Bad Debt (670)**

The Utility did not record any bad debt expense. In its three most recent Annual Reports (2022, 2023, and 2024), the Utility reported bad debt expenses of \$0 in all three years. In response to staff's second data request, the Utility confirmed that this reporting accurately reflects its accounting records.<sup>13</sup> The Utility has not recorded bad debt expense in the test year or in recent historical periods, thus, staff recommends a bad debt expense of \$0.

### **Operation and Maintenance Expense Summary**

The Utility recorded test year O&M expense of \$142,674. Based on the above adjustments, staff recommends O&M expense be decreased by \$21,856. This results in a total O&M expense of \$120,818. Staff's recommended adjustments to O&M are shown on Schedule No. 3-C.

### **Depreciation Expense**

The Utility recorded depreciation expense of \$36,406. Based on the depreciation rates prescribed in Rule 25-30.140, F.A.C., audit staff decreased this amount by \$4,581. Staff increased this amount by \$261 to reflect pro forma additions and retirements. In addition, staff increased this amount by \$673 to reflect the correct depreciation rates prescribed by the above-mentioned Rule and to reflect changes to UPIS.

Staff's net adjustments to depreciation expense result in a decrease of \$3,647. Therefore, staff recommends depreciation expense of \$32,759.

### **Capital Recovery Amortization Expense**

The Utility did not record a capital recovery amortization expense. As discussed in Issue 4, staff recommends a capital recovery schedule of \$25,543 over a seven-year amortization period. The corresponding annual amortization expense is \$3,649. Therefore, staff recommends a capital recovery amortization expense of \$3,649.

### **Taxes Other Than Income (TOTI)**

The Utility recorded TOTI of \$4,860. Audit staff increased this amount by \$373 to reflect an increase in Regulatory Assessment Fees (RAFs) based on an audit revenue adjustment. Staff

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<sup>13</sup> Document No. 01508-2026, filed March 12, 2026.

increased payroll tax by \$654 to reflect the reclassification of payroll tax expense that had been recorded in Account 601 – Salaries and Wages. Staff further increased TOTI by \$82 to reflect property taxes associated with pro forma plant additions.

Based on revenues discussed in Issue 6, TOTI should be increased by \$479 to reflect a RAF rate of 4.5 percent applied to the adjustment in revenues.

As discussed in Issue 9, staff recommends revenues be increased by \$99,302 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 \$4,469 to reflect a RAF rate of 4.5 percent to the change in revenues. Staff's adjustments result in a total increase of \$6,057. Therefore, staff recommends a TOTI of \$10,917.

### **Operating Expense Summary**

The Utility recorded operating expenses of \$183,940. The application of staff's recommended adjustments to the Utility's operating expense results in a total operating expense of \$168,143, a decrease of \$15,797. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

**Issue 8:** Does Sunlake Estates Utilities, L.L.C. meet the criteria for application of the operating ratio methodology?

**Preliminary Recommendation:** No, Sunlake Estates Utilities, L.L.C. does not meet the requirement for application of the operating ratio methodology for calculating the revenue requirement. (Lenberg)

**Staff Analysis:** Rule 25-30.4575(2), F.A.C., indicates 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 Sunlake, staff has recommended a rate base of \$683,027. After removal of rate case expense, staff has calculated an adjusted O&M expense of \$120,035. Based on staff's preliminary recommended amounts, the Utility's water rate base is 569.02 percent of its adjusted O&M expense. Based on this, the Utility does not qualify for application of the operating ratio methodology.

**Issue 9:** What is the appropriate revenue requirement for Sunlake Estates Utilities, L.L.C.?

**Preliminary Recommendation:** The appropriate revenue requirement is \$226,248, resulting in an annual increase of \$99,302 (78.22 percent). (Lenberg)

**Staff Analysis:** Sunlake Estates Utilities, L.L.C. should be allowed an annual increase of \$99,302 (78.22 percent). This should allow the Utility the opportunity to recover its expenses and earn an 8.51 percent rate of return. The calculations of revenue requirement are shown on Table 9-1.<sup>14</sup>

**Table 9-1**  
**Revenue Requirement**

Water Rate Base	\$683,027
Rate of Return	× 8.51%
Return on Rate Base	<u>\$58,105</u>
Water O&M Expense	120,818
Depreciation Expense	32,759
Amortization	3,649
Taxes Other Than Income	<u>10,917</u>
Revenue Requirement	<u>\$226,248</u>
Less Test Year Revenues	\$126,946
Annual Increase	\$99,302
Percent Increase	78.22%

Source: Staff calculations.

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<sup>14</sup> Staff notes the calculations presented in Table 9-1 may not compute due to rounding.

**Issue 10:** What are the appropriate rate structure and rates for Sunlake Estates Utilities, L.L.C.?

**Preliminary Recommendation:** The recommended rate structure and monthly water rates are shown on Schedule No. 4. 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 by affidavit within 10 days of the date of the notice. (Rashawn)

**Staff Analysis:** Sunlake Estates provides water services to approximately 454 residential customers and 7 general service customers. A review of the billing data indicated that 5 percent of the residential customer bills during the test year had zero gallons, which reflects a non-seasonal customer base. The average residential water demand was 5,892 gallons per month. The Utility's current rate structure for the water system consists of a base facility charge (BFC) and a two-tier inclining block rate. The rate blocks are: 1) 0-5,000 gallons and 2) all usage in excess of 5,000 gallons. The general service rate structure consists of a monthly BFC and uniform gallonage charge.

Due to the Utility's non-seasonal customer base, staff recommends that 40 percent of the revenues be generated from the BFC, which will provide sufficient revenues to design gallonage charges that will send the appropriate pricing signals to customers using above the non-discretionary level. The average number of people per household is 2.48;<sup>15</sup> therefore, based on the number of people per household, 50 gallons per day, per person, and the number of days per month, the discretionary usage threshold should be 4,000 gallons per month. Staff's review of the billing data indicates that discretionary usage above 4,000 gallons represents approximately 41 percent of the bills, which accounts for approximately 55 percent of water demand. This indicates that there are some customers with high discretionary usage above 4,000 gallons.

Staff recommends a two-tier inclining block rate structure, which includes separate gallonage charges for non-discretionary and discretionary usage for water rates. Due to the high usage above 4,000 gallons per month, staff believes that it is appropriate in this case to recommend rate factors of 1.00 in the first tier and 1.50 in the second tier because it will target those customers with higher levels of consumption. General service customers should continue to be billed a BFC and uniform gallonage charge.

Based on staff's recommended revenue increase of 78.22 percent, the residential consumption can be expected to decline by 11,617,000 gallons resulting in an anticipated average residential demand of 3,779 gallons per month. Staff recommends a 35.9 percent reduction in test year residential gallons for ratesetting purposes. As a result, the corresponding reduction for purchase power is \$3,306 and \$156 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$222,786.

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<sup>15</sup> [U.S. Census Bureau QuickFacts: Lake County, Florida](#)

Based on the above, staff's recommended rate structure and monthly water rates are shown on Schedule No. 4. 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 by affidavit within 10 days of the date of the notice.

**Issue 11:** What are the appropriate initial customer deposits for Sunlake Estates Utilities, L.L.C.?

**Preliminary Recommendation:** The appropriate initial customer deposit should be \$69 for the residential 5/8-inch x 3/4-inch meter size. 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. (Rashawn)

**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.<sup>16</sup> Currently, the Utility has an initial customer deposit of \$60 for the residential 5/8-inch x 3/4-inch meter size and two times the average bill for general service. However, this amount does not cover two months' average bills based on staff's recommended rates. The Utility's anticipated post-repression average monthly residential usage is 3,761 gallons per customer. Therefore, the average residential monthly bill is approximately \$34.62 for water service based on staff's recommended rates.

Based on the above, staff recommends that the appropriate initial customer deposit should be \$69 for the residential 5/8-inch x 3/4-inch meter size. 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.

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<sup>16</sup> 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*.

**Issue 12:** What are the appropriate revisions to miscellaneous service charges for Sunlake Estates Utilities, L.L.C.?

**Preliminary Recommendation:** The appropriate revisions to miscellaneous service charges are to remove the initial connection and normal reconnection charges and update the definition of the premises visit charge to be consistent with Rule 25-30.460, F.A.C. The Utility should be required to file a proposed customer notice to reflect the removal of those charges. The changes should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision and that the proposed customer notice is adequate. (Rashawn).

**Staff Analysis:** The Utility did not request to revise its existing miscellaneous service charges. Section 367.091, F.S., authorizes the Commission to establish, increase, or change rate or charge other than monthly rates or service availability charges. Rule 25-30.460, F.A.C. does not allow for initial connection and normal reconnection charges. The utility's initial connection and normal reconnection charges are obsolete and inconsistent with the rule. The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. Based on the above, staff recommends that the initial connection and normal reconnection charges be removed, and the definition for the premises visit charge be updated to comply with Rule 25-30.460, F.A.C.

Based on the above, staff recommends that the appropriate revisions to miscellaneous service charges are to remove the initial connection and normal reconnection charges and update the definition of the premises visit charge to be consistent with Rule 25-30.460, F.A.C. The Utility should be required to file a proposed customer notice to reflect the removal of those charges. The changes should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision and that the proposed customer notice is adequate.

**Issue 13:** 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 No. 4, 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. Sunlake 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. (Lenberg, Rashawn)

**Staff Analysis:** Section 367.081(8), F.S., requires that the rates be reduced by the amount of the rate case expense previously included in rates immediately following the expiration of the recovery period. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$820.

Staff recommends that the rates should be reduced as shown on Schedule No. 4, 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. Sunlake 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.

**Issue 14:** Should the recommended rates be approved for Sunlake Estates Utilities, L.L.C. on 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. Sunlake should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services 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. Further, prior to implementing any temporary rates, the Utility should provide appropriate financial 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 both the current monthly and total amount 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. (Lenberg)

**Staff Analysis:** This recommendation proposes an increase in rates. A timely protest might delay a 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 proposed rates be approved on a temporary basis. Sunlake should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services 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 it has been received by the customers. The additional revenue produced by staff's recommended rates and collected by the Utility should be subject to the refund provisions discussed below.

Sunlake should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$67,808. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond for securing the potential refund, 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 for securing the potential refund, the letter of credit should contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.
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.
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 *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
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 bond, 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 Clerk's office no later than the 20th of every 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.

<b>SUNLAKE ESTATES UTILITIES, L.L.C.</b>		<b>SCHEDULE NO. 1-A</b>		
<b>TEST YEAR ENDED 12/31/2024</b>		<b>DOCKET NO. 20250108-WS</b>		
<b>SCHEDULE OF WATER RATE BASE</b>				
<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>STAFF ADJUST.</b>	<b>BALANCE PER STAFF</b>	
1 UTILITY PLANT IN SERVICE	\$942,813	(\$58,584)	\$884,229	
2 LAND & LAND RIGHTS	0	0	0	
3 ACCUMULATED DEPRECIATION	(329,643)	89,719	(239,924)	
4 CAPITAL RECOVERY	0	25,543	25,543	
5 ACCUMULATED AMORTIZATION OF CAPITAL RECOVERY	0	(1,825)	(1,825)	
6 WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>15,004</u>	<u>15,004</u>	
WATER RATE BASE	<u>\$613,170</u>	<u>\$69,857</u>	<u>\$683,027</u>	

<b>SUNLAKE ESTATES UTILITIES, L.L.C.</b>	<b>SCHEDULE NO. 1-B</b>
<b>TEST YEAR ENDED 12/31/2024</b>	<b>DOCKET NO. 20250108-WS</b>
<b>ADJUSTMENTS TO RATE BASE</b>	
	<b><u>WATER</u></b>
<b><u>UTILITY PLANT IN SERVICE</u></b>	
1. To reflect auditing adjustments.	\$97,415
2. To reflect an averaging adjustment.	64,868
3. Staff adjustments to reflect retirements and reclassifications.	(227,469)
4. To reflect pro forma retirements.	(19,806)
5. To reflect pro forma additions.	<u>26,408</u>
Total	<u>(\$58,584)</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>	
1. To reflect auditing adjustments.	(\$30,816)
2. To reflect an averaging adjustment.	(69,165)
3. To reflect pro forma adjustments.	19,545
4. Staff adjustments to reflect retirements.	<u>170,155</u>
Total	<u>\$89,719</u>
<b><u>CAPTIAL RECOVERY</u></b>	
To reflect staff retirements.	<u>\$25,543</u>
<b><u>ACCUMULATED AMORTIZATION OF CAPITAL RECOVERY</u></b>	
To reflect an averaging adjustment.	<u>(\$1,825)</u>
<b><u>WORKING CAPITAL ALLOWANCE</u></b>	
To reflect 1/8 of test year O&M expenses.	<u>\$15,004</u>

SUNLAKE ESTATES UTILITIES, L.L.C.				SCHEDULE NO. 2		
TEST YEAR ENDED 12/31/2024				DOCKET NO. 20250108-WS		
SCHEDULE OF CAPITAL STRUCTURE						
CAPITAL COMPONENT	PER UTILITY	ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON EQUITY	<u>\$1,005,616</u>	<u>(\$322,589)</u>	<u>\$683,027</u>	<u>100.00%</u>	<u>8.51%</u>	<u>8.51%</u>
TOTAL CAPITAL	<u>\$1,005,616</u>	<u>(\$322,589)</u>	<u>\$683,027</u>	<u>100.00%</u>		<u>8.51%</u>
					<b><u>LOW</u></b>	<b><u>HIGH</u></b>
					RETURN ON EQUITY	7.51% 9.51%
					OVERALL RATE OF RETURN	7.51% 9.51%

SUNLAKE ESTATES UTILITIES, L.L.C.		SCHEDULE NO. 3-A			
TEST YEAR ENDED 12/31/2024		DOCKET NO. 20250108-WS			
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	ADJUST FOR INCREASE	REVENUE REQUIREMENT
1. <b>TOTAL OPERATING REVENUES</b>	\$108,001	\$18,945	\$126,946	\$99,302 78.22%	\$226,248
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$142,674	(\$21,856)	\$120,818		\$120,818
3. DEPRECIATION (NET)	36,406	(3,647)	32,759		32,759
4. AMORTIZATION OF CAPITAL RECOVERY	\$0	3,649	3,649		3,649
5. TAXES OTHER THAN INCOME	<u>4,860</u>	<u>1,588</u>	<u>6,448</u>	<u>4,469</u>	<u>10,917</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$183,940</u>	<u>(\$20,266)</u>	<u>\$163,674</u>	<u>\$4,469</u>	<u>\$168,143</u>
6. <b>OPERATING INCOME / (LOSS)</b>	(\$75,939)		(\$36,728)		\$58,105
7. <b>WATER RATE BASE</b>	\$613,170	\$69,857	\$683,027		\$683,027
8. <b>RATE OF RETURN</b>					8.51%

<b>SUNLAKE ESTATES UTILITIES, L.L.C.</b>		<b>SCHEDULE NO. 3-B</b>
<b>TEST YEAR ENDED 12/31/2024</b>		<b>DOCKET NO. 20250108-WS</b>
<b>ADJUSTMENTS TO OPERATING INCOME</b>		<b><u>WATER</u></b>
<b>OPERATING REVENUES</b>		
1.	To reflect an auditing adjustment to Service Revenues.	\$8,296
2.	To reflect the appropriate test year Service Revenues.	<u>10,649</u>
	Total	<u>\$18,945</u>
<b>OPERATION AND MAINTENANCE EXPENSE</b>		
1.	Salaries and Wages - Employees (601)	
	a. To reflect an auditing adjustment.	(\$1)
	b. To reflect the reclassification of payroll taxes.	<u>(654)</u>
	Subtotal	<u>(\$655)</u>
2.	Purchased Power (615)	
	To reflect an auditing adjustment.	<u>\$545</u>
3.	Fuel for Power Production (616)	
	To reflect an auditing adjustment.	<u>\$2,206</u>
4.	Contractual Services - Professional (631)	
	a. To reflect auditing adjustments.	(\$6,207)
	b. To reflect increase in contracted operator costs.	1,170
	c. To reflect the reclassification of EPA expenses.	<u>3,637</u>
	Subtotal	<u>(\$1,400)</u>
5.	Contractual Services - Accounting (632)	
	To reflect accounting pro forma expense.	<u>\$585</u>
6.	Contractual Services - Legal (633)	
	a. To reflect auditing adjustments.	\$12,247
	b. To reflect the reclassification of EPA expenses.	<u>(3,637)</u>
	Subtotal	<u>\$8,610</u>
7.	Contractual Services - Other (636)	
	a. To reflect auditing adjustments.	(\$75,378)
	b. To reflect the 5 year average Contractual Services - Other expense.	36,094
	c. To reflect recovery of the 5-year amortization of Contractual Services - Other expense.	<u>7,857</u>
	Subtotal	<u>(\$31,427)</u>
8.	Transportation Expense (650)	
	To reflect auditing adjustments.	<u>(\$1,103)</u>
9.	Rate Case Expense (665)	
	To reflect 1/4 rate case expense.	<u>\$783</u>
<b>TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS</b>		<u>(\$21,856)</u>

<b>DEPRECIATION EXPENSE</b>	
1. To reflect auditing adjustments.	(\$4,581)
2. To reflect pro forma additions and retirements.	261
3. To reflect correct depreciation rates and UPIS adjustments.	673
Total	<u>(\$3,647)</u>
<b>CAPITAL RECOVERY EXPENSE (NET)</b>	
To reflect capital recovery expense.	<u>\$3,649</u>
<b>TAXES OTHER THAN INCOME</b>	
1. To reflect an auditing adjustment.	\$373
2. To reflect 2024 property taxes.	654
3. To reflect property taxes associated with pro forma plant additions.	82
4. To reflect appropriate test year RAFs.	479
5. To reflect appropriate revenue requirement RAFs	4,469
Total	<u>\$6,057</u>
<b>TOTAL OPERATING EXPENSE ADJUSTMENTS</b>	<u>(\$15,797)</u>

<b>SUNLAKE ESTATES UTILITIES, L.L.C.</b>		<b>SCHEDULE NO. 3-C</b>		
<b>TEST YEAR ENDED 12/31/2024</b>		<b>DOCKET NO. 20250108-WS</b>		
<b>ANALYSIS OF WATER O&amp;M EXPENSE</b>				
<b>ACCT.</b>	<b>DESCRIPTION</b>	<b>TOTAL PER UTILITY</b>	<b>STAFF ADJUST- MENT</b>	<b>TOTAL PER STAFF</b>
601	Salaries and Wages - Employees	\$9,643	(\$655)	\$8,988
615	Purchased Power	9,239	545	9,784
616	Fuel for Power Production	0	2,206	2,206
630	Contractual Services - Billing	4,028	0	4,028
631	Contractual Services - Professional	42,373	(1,400)	40,973
632	Contractual Services - Accounting	0	585	585
633	Contractual Services - Legal	0	8,610	8,610
636	Contractual Services - Other	76,288	(31,427)	44,861
650	Transportation Expense	1,103	(1,103)	0
665	Rate Case Expense	0	783	783
670	Bad Debt Expense	<u>0</u>	<u>0</u>	<u>0</u>
	Total O&M Expense	<u>\$142,674</u>	<u>(\$21,856)</u>	<u>\$120,818</u>
	Working Capital is 1/8 of O&M Less RCE			\$15,004

<b>SUNLAKE ESTATES UTILITIES, L.L.C.</b>		<b>SCHEDULE NO. 4</b>	
<b>TEST YEAR ENDED 12/31/2024</b>		<b>DOCKET NO. 20250108-WS</b>	
<b>MONTHLY WATER RATES</b>			
	<b>UTILITY CURRENT RATES</b>	<b>STAFF RECOMMENDED RATES</b>	<b>4 YEAR RATE REDUCTION</b>
<b><u>Residential and General Service</u></b>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$11.74	\$15.06	\$0.06
3/4"	\$17.61	\$22.59	\$0.08
1"	\$29.35	\$37.65	\$0.14
1-1/2"	\$58.70	\$75.30	\$0.28
2"	\$93.92	\$120.48	\$0.45
3"	\$187.84	\$240.96	\$0.89
4"	\$293.50	\$376.50	\$1.39
6"	\$587.00	\$753.00	\$2.79
Charge per 1,000 gallons - Residential			
0 - 5,000 gallons	\$1.22	N/A	N/A
Over 5,000 gallons	\$2.06	N/A	N/A
Charge per 1,000 gallons - Residential			
0 - 4,000 gallons	N/A	\$5.12	\$0.02
Over 4,000 gallons	N/A	\$7.68	\$0.03
Charge per 1,000 gallons - General Service	\$1.72	\$5.87	\$0.02
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
2,000 Gallons	\$14.18	\$25.30	
6,000 Gallons	\$19.90	\$50.90	
10,000 Gallons	\$28.14	\$81.62	