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: June 23, 2026

TO: Elisabeth J. Draper, Director, Division of Economics

FROM: Division of Economics (Sibley, Bruce) MS SB
Division of Accounting and Finance (Cohn, Higgins, Worrall) DH
Division of Engineering (Davis, Ellis, King, Ramos) GD PE
Office of the General Counsel (Sparks, Farooqi) SPS

RE: Docket No. 20250122-WS – Application for staff-assisted rate case in Highlands County, by Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities.

-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 July 16, 2026.

Table of Contents

Case Background

Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities (Buttonwood Bay or Utility) is a Class C utility providing service to approximately 883 water customers and 867 wastewater customers in Highlands County. The Utility is a wholly-owned subsidiary of Asset Investors Operating Partnership, LP.

In 2000, the Commission approved a transfer of majority organizational control, certificates to Buttonwood Bay Utilities, Inc., and a merger into Buttonwood Bay Water & Sewer Company, LLC, which included the name change to the certificates.[1] In 2003, the Commission approved a transfer of certificates from Buttonwood Bay Water and Sewer Company, LLC to Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities and established rate base.[2]

On October 16, 2023, the Utility filed an application for a staff-assisted rate case (SARC) which was assigned Docket No. 20230117-WS.[3] This application was withdrawn on June 5, 2024.[4]

On October 3, 2025, the Utility filed an application for a SARC.[5] Staff selected the test year ended December 31, 2024. According to the Utility's 2025 Annual Report, total gross revenues were $162,277 for water and $140,275 for wastewater and its operating expenses were $275,100 for water and $228,550 for wastewater.

This staff report is a preliminary analysis of the Utility's books and records prepared by Commission staff to give customers and the Utility an initial understanding of staff's potential recommendations. The final recommendation is tentatively scheduled to be filed on September 24, 2026, for the October 6, 2026 Commission Conference. The preliminary recommendation will be revised as necessary using any new updated information and the results of customer quality of service or other relevant comments, if any, received at the customer meeting scheduled for July 16, 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.).

---

[1]Order No. PSC-00-0577-FOF-WS, issued on March 22, 2000, in Docket No. 19990915-WS, *In re: Application by Sun Life Trailer Resorts Limited Partnership for transfer of majority organizational control of Buttonwood Bay Utilities, Inc., holder of Certificates 431-W and 364-S in Highlands County, merger into Buttonwood Bay Water & Sewer Company, LLC, and name change on certificates to Buttonwood Bay Water & Sewer Company, LLC.*

[2]Order No. PSC-03-0759-PAA-WS, issued on June 23, 2003, in Docket No. 20020892-WS, *In re: Application for transfer of facilities and Certificates Nos. 431-W and 364-S in Highlands County from Buttonwood Bay Water & Sewer Company, LLC to Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities.*

[3]Document No. 02690-2023, filed on October 16, 2023.

[4]Document No. 04603-2024, filed on June 5, 2024.

[5]Document No. 14198-2025, filed on October 3, 2025.

Issue 1: Is the quality of service provided by Buttonwood Bay satisfactory?

Preliminary Recommendation: Staff's recommendation regarding quality of service will not be finalized until after the customer meeting scheduled for July 16, 2026. (Davis)

Staff Analysis: Pursuant to Section 367.081(2)(a)(l.), 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 (water) and the Utility's attempt to address customer satisfaction (water and wastewater). 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 and wastewater systems are addressed in Issue 2.

Quality of the Utility's Product

In evaluation of Buttonwood Bay's water 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. Staff reviewed the DEP's triennial Safe Drinking Water chemical analyses of samples taken on March 27, 2024, and the Utility was determined to be in-compliance with DEP standards except for the secondary standard of color. Staff also reviewed DEP's last Sanitary Survey Report dated December 30, 2024, in which there were no chemical or bacteriological exceedances noted for the previous 12 months, except the previously noted secondary standard for color.

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 were no complaints filed in CATS. The Utility reported one complaint during this timeframe regarding the color of the water, which was resolved by the Utility by switching to a different media inside the filters. The DEP responded that it received five complaints regarding several issues, including: (i) severe discoloration and debris, including yellow, rusty, or black water that ruined laundry and clogged home filters; (ii) foul sulfur and sewer odors that worsened over time; (iii) operational failures such as a total loss of water pressure and overdue filter maintenance; and, (iv) poor communication, highlighted by management's failure to notify all residents during critical boil water alerts.

Conclusion

Staff's recommendation regarding quality of service will not be finalized until after the customer meeting scheduled for July 16, 2026.

Issue 2: Are the infrastructure and operating conditions of Buttonwood Bay's water and wastewater system in compliance with DEP regulations?

Preliminary Recommendation: Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for July 16, 2026. (Davis)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water and wastewater 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 and compliance evaluations for wastewater systems, citations, violations and consent orders issued to the utility, customer testimony, comments, complaints, and utility testimony and responses to the aforementioned items.

Water System Operating Conditions

Buttonwood Bay's water system has a permitted capacity of 542,000 gallons per day. The system consists of two 8-inch diameter wells, two 15,000-gallon hydropneumatic storage tanks, and one 107,000-gallon above-ground water storage tank. The pumping capacity of Well No. 1 is unknown, while Well No. 2 has a pumping capacity of 220 gallons per minute (gpm). Groundwater is treated through hypochlorination prior to distribution. The DEP conducted an inspection of Buttonwood Bay's water treatment plant (WTP) on December 12, 2024. The resulting Sanitary Survey Report indicated seven issues classified as minor, including missing documentation for flow meter calibration and emergency response plans and leaks from one of the pumps and ground storage tank, all of which were corrected by February 24, 2025. Consequently, the WTP is in compliance with DEP's rules and regulations.

Wastewater System Operating Conditions

Buttonwood Bay's wastewater system consists of an existing 0.098 million gallons per day. Staff reviewed the Utility's last DEP Compliance Evaluation Inspection report, dated April 18, 2024. The DEP noted fifteen deficiencies, including permitting and documentation concerns, wastewater treatment plant (WWTP) operational issues, and effluent quality concerns. The DEP determined that all non-compliance items identified at the time of the inspection have been corrected and deemed the Utility to be in compliance as of July 24, 2024.

Conclusion

Staff's recommendation regarding DEP compliance will not be finalized until after the customer meeting scheduled for July 16, 2026.

Issue 3: What are the used and useful (U&U) percentages of Buttonwood Bay's water treatment plant (WTP) and water storage, wastewater treatment plant (WWTP), water distribution, and wastewater collection systems?

Preliminary Recommendation: Buttonwood Bay's WTP, water storage, water distribution system, WWTP, and wastewater collection system should both be considered 100 percent used and useful. Staff preliminarily calculated that there is 19.40 percent excessive unaccounted for water (EUW) and no excessive infiltration and inflow (I&I). However, no adjustment for EUW or I&I is being recommended at this time since these are preliminary determinations and are subject to change. (Davis)

Staff Analysis: As stated in Issue 2, Buttonwood Bay's water system is served by two 8-inch diameter wells. Well No. 1's pumping capacity is unknown, but Well No. 2's pumping capacity is 220 gpm. The Utility is permitted by DEP to withdraw 542,000 gallons per day. The water distribution system is composed of 28,384 feet of 2-inch polyvinyl chloride (PVC) pipe, 4,390 feet of 3-inch PVC pipe, 798 feet of 4-inch PVC pipe, 1,976 feet of 6-inch PVC pipe, and 128 feet of 8-inch PVC pipe.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., also 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 Buttonwood Bay's 2024 monthly operating reports on file with the DEP indicates the Utility produced 74,350,000 gallons of water during the test year. In response to staff's data requests, the Utility indicated that it purchased 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 flushing (hydrants and water main) and backwashing of 2,300,014 gallons, and known water breaks estimated at 36,930 gallons during the test year. An examination of the Utility's billing records indicated 50,157,320 gallons of treated water was sold to its customers. The calculation (74,350,000 + 0 – 50,157,320 – 2,300,014 – 36,930)/(74,350,000 + 0) results in 29.40 percent unaccounted for water. The Rule allows a 10 percent margin; therefore, there is 19.40 percent EUW.

Infiltration and Inflow

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Excessive I&I is a calculation that is based on a comparison of the allowable wastewater treated to the actual amount of wastewater treated. Allowable treated wastewater was calculated as 49,425,448 gallons, and the actual amount of the wastewater treated was 14,253,000 gallons. The actual amount does not exceed the allowable amount, therefore there is no excessive I&I and no adjustment to operating expenses is necessary.

Used and Useful Percentages

Rules 25-30.432 and 25-30.4325, F.A.C., address the method by which the U&U percentage of water and wastewater systems are 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. Based on staff's preliminary investigation, the Utility's service area appears to be built out, therefore the WTP, water storage, water distribution system should be considered 100 percent U&U.

Similarly, Rule 25-30.432, F.A.C., for wastewater systems allows the Commission to consider other factors, including the extent to which the area served is built out. As noted above, the Utility's service area appears to be built out, therefore the WWTP and wastewater collection system should be considered 100 percent U&U.

Conclusion

Buttonwood Bay's WTP, water storage, water distribution system, WWTP, and wastewater collection system should both be considered 100 percent U&U. Staff recommends that there is 19.40 percent EUW and no excessive I&I. However, no adjustment for EUW or I&I 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 Buttonwood Bay?

Preliminary Recommendation: The appropriate average test year rate base for Buttonwood Bay is $1,093,937 for water and $588,923 for wastewater. (Worrall, Davis)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, contributions-in-aid of construction (CIAC), accumulated amortization of CIAC, 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.

Utility Plant in Service

The Utility recorded UPIS of $2,264,116 for water and $1,804,226 for wastewater. The Utility could not provide a ledger or invoices from December 31, 2002 to December 31, 2016. Staff determined Buttonwood Bay's UPIS by using the Utility's last Commission Order No. PSC-03-0759-PAA-WS and reviewing available invoices and annual reports.[6] Several discrepancies were noted, thus audit staff decreased UPIS for water by $290,048 and decreased UPIS for wastewater by $90,331 to adjust for improper classification of additions.

The Utility only made six retirements from December 31, 2003 to December 31, 2024. Staff decreased UPIS by $106,441 for water and decreased UPIS by $86,126 for wastewater to reflect the appropriate retirement of assets. In addition, staff increased UPIS for water by $6,804 and increased UPIS for wastewater by $199 to reflect averaging adjustments. Lastly, staff increased UPIS by $334,319 for water and $147,204 for wastewater to reflect pro forma additions and decreased UPIS by $98,330 for water and $50,403 for wastewater to reflect pro forma retirements.

Staff's adjustments to UPIS result in a net decrease of $153,696 for water and a net decrease of $79,458 for wastewater. Therefore, staff recommends a water UPIS balance of $2,110,420 and a wastewater UPIS balance of $1,724,769.

Pro Forma Plant Additions

When evaluating a utility's requested pro forma plant additions, the Commission considers, among other things: (1) need; (2) reasonableness; (3) cost; (4) in-service date(s); and (5) alternatives, as it relates 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 the 12 pro forma projects which Buttonwood Bay has requested throughout this proceeding. Staff has sent a series of data requests and is continuing to investigate these projects, many of which lack the required information to determine if they are eligible under the

[6]Order No. PSC-03-0759-PAA-WS, issued June 23, 2003, in Docket No. 20020892, *In re: Application for transfer of facilities and Certificates Nos. 431-W and 364-S in Highlands County from Buttonwood Bay Water & Sewer Company, LLC to Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities.*

requirements of Section 367.081(2)(a)(2), F.S., including that they be in-service within 24 months of the end of the test year. Each of the Utility's pro forma projects are described below.

Table 4-1
Pro Forma Projects

	Project	In-Service Date	Account Number	Amount	Retirement
		Water - Capital			
1.	New Control Room	Not Provided	320	$62,319	$46,739
2.	New Generator	Not Provided	310	$180,000	$42,591
3.	High Service Pump	Not Provided	311	$12,000	$9,000
4.	Electrical Upgrades	Not Provided	311	$80,000	$0
		Wastewater – Capital			
5.	Install Diffuser in Stillwell	10/7/2025	380	$1,983	$1,487
6.	Install New triplex Skimmer	9/29/2025	380	$11,643	$8,732
7.	Install New Surface Aerator Motor	9/26/2025	380	$9,371	$7,028
8.	Install New Blower	9/16/2025	380	$9,251	$6,939
9.	Install RAS WAS Splitter Box	11/10/2025	380	$10,070	$7,552
10.	New Surge Tank Air Line and Diffuser	1/30/2026	380	$18,606	$13,954
11.	New Surge Tank Electrical Control Panel	12/24/2025	380	$6,280	$4,710
12.	New Filter Media	Not Provided	380	$80,000	$0
	Capital Projects Total			**$481,523**	**$148,733**

Source: Buttonwood Bay's response to staff data requests.

Projects 1-4 and 12

While Buttonwood Bay requested these projects in its application or response to staff's first data request, it has only provided a single cost estimate for each, with no in-service dates, description or justification of the projects, or supporting documentation for the cost estimates such as bids, invoices, or other information.

Project 5 – Install Diffuser in Stillwell

Project 5 is the replacement of a diffuser in the bottom of the Stillwell in the wastewater plant. Buttonwood Bay stated that the new diffuser was installed on the waterline to accelerate waste breakdown and control odor. Two bids were received by the Utility and the lowest bid was selected. The project was completed in October 2025 and an invoice was provided for $1,983.

Project 6 – Install New Triplex Skimmer

Project 6 is the replacement of a skimmer to assist with removing debris that will not settle. Buttonwood Bay stated that the existing equipment was outdated. Two bids were received by the Utility and the lowest bid was selected. The project was completed in September 2025 and an invoice was provided for $11,643.

Project 7 – Install New Surface Aerator Motor

Project 7 is the replacement of the surface aerator motor. Buttonwood Bay stated that the existing surface aerator motor failed and it was replaced on an emergency basis without seeking bids. The project was completed in September 2025 and an invoice was provided for $9,371.

Project 8 – Install New Blower

Project 8 is the replacement of the blower at the wastewater plant. Buttonwood Bay stated that the existing blower failed and it was replaced on an emergency basis without seeking bids. The Utility provided an estimate of $9,251 and stated the project was estimated to be completed in September 2025.

Project 9 – Install RAS WAS Splitter Box

Project 9 is the replacement of the splitter box. Buttonwood Bay stated that the existing splitter box failed. Two bids were received by the Utility and the lowest bid of $10,070 was selected. The project was estimated to be completed in November 2025.

Project 10 – Install New Surge Tank Air Line and Diffuser

Project 10 is the replacement of a new surge air line and diffuser. The existing diffuser was fouling and clogging. No information was provided regarding bids. The project was completed in January 2026 and an invoice was provided for $18,606.

Project 11 – Install New Surge Tank Electrical Control Panel

Project 11 is replacing the electrical control panel for the WWTP surge tank. Buttonwood Bay stated that the replacement was driven by environmental degradation, mechanical failure, or regulatory obsolescence. No information was provided regarding bids. The project was completed in December 2025 and an invoice was provided for $6,280.

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 this case, the Utility did not record retirements for certain accounts in prior years. As a result, application of the 75 percent retirement methodology would result in an overall negative plant balance. Therefore, staff has capped the retirement amount at the plant balance for two respective accounts in the relevant years. This methodology was utilized in Docket No. 20160101-WS and was approved by Order No. PSC-2017-0361-FOF-WS.[7] 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."[8]

Due to the capped retirement, staff identified Accounts 310 – Power Generation Equipment, and 311 – Pumping Equipment, as having a total of $15,940 of remaining undepreciated plant balance. Staff believes that this remaining balance should be recovered as amortization expense over a seven-year period. Although Rule 25-30.433(10), F.A.C. outlines 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. This seven-year period results in an annual amortization

[7]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.*
[8] *Id.*

expense of $2,277. 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 impact. Therefore, staff recommends capital recovery of $15,940 over a seven-year amortization period. The associated annual amortization expense is $2,277.

Land and Land Rights

The Utility recorded a test year land and land rights balances of $4,600 for water and $31,000 for wastewater. Staff made no adjustments to this amount and therefore, recommends land and land rights balances of $4,600 for water and $31,000 for wastewater.

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 $1,439,238 of accumulated depreciation for water and $1,481,086 for wastewater. Audit staff decreased these amounts by $169,628 for water and $191,127 for wastewater to reflect corrections to UPIS and the application of the correct depreciation rates per Rule 25-30.140, F.A.C.

Staff further decreased these amounts by $190,363 for water and $107,734 for wastewater to reflect the appropriate retirement of assets and updated depreciation expense associated with plant retirements recognized outside the test year. Additionally, staff increased these amounts by $55,332 for water and $42,290 for wastewater to reflect averaging adjustments. Lastly, staff decreased this amount by $80,136 for water and $43,950 for wastewater to reflect pro forma additions and retirements.

Staff's adjustments to accumulated depreciation result in a net decrease of $384,795 for water and $300,521 for wastewater. Therefore, staff recommends an average accumulated depreciation balance of $1,054,443 for water and $1,180,565 for wastewater.

Contributions in Aid of Construction (CIAC)

The Utility recorded a CIAC balance of $216,940 for water and $227,500 for wastewater. Staff made no adjustments to CIAC for water or wastewater. Therefore, staff recommends a CIAC balance of $216,940 for water and $227,500 for wastewater.

Accumulated Amortization of CIAC

The Utility recorded an accumulated amortization of CIAC balance of $216,940 for water and $227,500 for wastewater. Staff made no adjustments to accumulated amortization of CIAC for water or wastewater. Therefore, staff recommends an accumulated amortization of CIAC balance of $216,940 for water and $227,500 for wastewater.

Accumulated Amortization of Capital Recovery

As a result of capped retirement, staff increased accumulated amortization of capital recovery by $1,139 to reflect an averaging adjustment. Therefore, staff recommends an accumulated amortization balance of $1,139.

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., and Commission practice, staff used the one-eighth operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance.[9] As such, staff removed the rate case expense of $723 for water and $715 for wastewater. This resulted in an adjusted O&M expense balance of $148,464 for water and $109,761 for wastewater. Applying this formula, staff recommends a working capital allowance of $18,558 for water and $13,720 for wastewater.

Rate Base Summary

Based on the foregoing, staff recommends an appropriate average test year rate base of $1,093,937 for water and $588,923 for wastewater. Rate base is shown in Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

[9]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 Buttonwood Bay?

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. (Worrall)

Staff Analysis: The Utility's capital structure consists entirely of common equity. The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.51 percent based on the Commission-approved leverage formula currently in effect.[10] 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 equal, as shown on Schedule No. 2.

[10]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 amount of test year operating revenues for Buttonwood Bay's water and wastewater systems?

Preliminary Recommendation: The appropriate test year operating revenues for Buttonwood Bay are $164,744 for the water system and $140,117 for the wastewater system. (Sibley)

Staff Analysis: The Utility recorded test year operating revenues of $154,284 for water and $133,036 for wastewater. The Utility did not record any miscellaneous revenues during the test year. Staff's review of the Commission audit indicated that the Utility's billing register consisted of several inaccuracies during the test year. For water and wastewater, the Utility incorrectly undercharged its customers a base facility charge of $10.28 for water service and $10.61 for wastewater service. The Utility's general ledger consisted of duplicate bills for its residential wastewater customers. Staff removed 36 duplicate bills and adjusted the billing determinants. Furthermore, the Utility did not account for any of its general service customers. However, based on staff's investigation, it appears that there are several general service customers within the service territory. Therefore, per staff's request, the Utility submitted billing determinants for the general service customers.

Finally, the Utility was approved for a price index rate adjustment outside of the test year effective June 16, 2025. Therefore, staff annualized test year operating revenues by applying the adjusted number of billing determinants to the rates effective June 16, 2025. As a result, staff determined test year service revenues should be $164,744, which is an increase of $10,460 ($164,744 - $154,284) and $140,117 for wastewater, which is an increase of $7,081 ($140,117 - $133,036).

Based on the above, the appropriate test year operating revenues for Buttonwood Bay are $164,744 for the water system and $140,117 for the wastewater system.

Issue 7: What is the appropriate amount of operating expenses for Buttonwood Bay?

Preliminary Recommendation: The appropriate amount of operating expense for Buttonwood Bay is $240,787 for water and $154,067 for wastewater. (Worrall)

Staff Analysis: The Utility recorded an operating expense of $247,983 for water and $200,766 for wastewater. 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

Sludge Removal Expense (711)

The Utility recorded sludge removal expense of $22,341. Audit staff reclassified $3,435 of these expenses to Account 736 – Contractual Services – Other, $453 to Account 718 – Chemicals Expense, and $504 to Account 742 – Rental of Equipment. Staff's adjustments result in a net decrease of $4,391. Therefore, staff recommends a sludge removal expense of $17,950.

Purchased Power (615/715)

The Utility recorded a purchased power expense of $22,339 for water and $22,339 for wastewater. During the audit, the Utility could only provide power bills for 2023. Audit staff increased the water expense by $4,499 and decreased the wastewater expense by $2,694 to reflect the proper purchased power expense allocations for the 2023 bills that were provided.

However, in response to staff's first data request, the Utility provided its 2024 purchased power expenses.[11] Based on the documentation, staff increased the water expense by $212 and increased the wastewater expense by $2,462 to reflect the 2024 amounts.

As discussed in Issue 3, EUW is 19.4 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 $5,247.

Staff's adjustments result in a net increase of $4,711 to water and a net decrease of $232 for wastewater. Therefore, staff recommends a purchased power expense of $27,050 for water and $22,107 for wastewater.

Chemicals Expense (618/718)

The Utility recorded a chemicals expense of $27,488 for water and $0 for wastewater. Audit staff decreased the water expense by $1,951 and increased the wastewater expense by $1,951 to reflect the proper allocation of costs. Audit staff also reclassified $12,410 from Account 735 – Contractual Services – Testing, resulting in an increase of $2,396 for water and $10,014 for wastewater. In addition, audit staff increased wastewater chemicals expense by $453 to reflect the reclassification of expenses from Account 711 – Sludge Removal expense.

[11]Document No. 00125-2026, filed January 9, 2026, in Docket No. 20250122-WS.

As discussed in Issue 3, EUW is 19.4 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 water chemicals expense by $5,419.

Staff's adjustments result in a net increase of $445 to water and a net increase of $12,418 to wastewater. Therefore, staff recommends a chemicals expense of $27,933 for water and $12,418 for wastewater.

Contractual Services – Billing (630/730)

The Utility recorded contractual services – billing expense of $7,178 for water and $7,178 for wastewater. Staff made no adjustments and therefore, staff recommends contractual services – billing expense of $7,178 for water and $7,178 for wastewater.

Contractual Services – Professional (631/731)

The Utility recorded contractual services – professional expense of $91,211 for water and $58,065 for wastewater. Audit staff adjusted this expense to reflect several reclassifications. For water, staff reclassified $2,853 to Account 635 – Contractual Services – Testing, $13,660 to Accounts 633 – Contractual Services – Legal and 733 – Contractual Services – Legal, and $12,825 to Accounts 634 – Contractual Services – Management Fee and 734 – Contractual Services – Management Fee. Audit staff also reclassified $3,799 from Account 636 – Contractual Services – Other to the water expense. For wastewater, audit staff reclassified $2,240 to Account 736 – Contractual Services – Other.

Staff further increased this account by $498 for both water and wastewater to reflect pro forma operator costs. In addition, the wastewater expense was increased by $2,508 to reflect a pro forma expense for the amortization of Hurricane Milton storm costs over a five-year period. Staff reviewed supporting documentation provided in response to staff's second data request and confirmed these costs.[12]

Staff's adjustments result in a net decrease of $25,041 to water and $25,665 to wastewater. Therefore, staff recommends a contractual services – professional expense of $66,170 for water and $32,400 for wastewater.

Contractual Services – Accounting (632/732)

The Utility did not record any expense for contractual services – accounting. Staff increased the expense for both water and wastewater by $615 to reflect pro forma expenses for Milian, Swain, & Associates, Inc. accounting services to assist with NARUC Uniform System of Accounts compliance matters. Staff reviewed invoices provided in response to staff's second data request and confirmed these expenses.[13] Therefore, staff recommends contractual services – accounting expense of $615 for both water and wastewater.

[12]Document No. 02207-2026, filed April 16, 2026, in Docket No. 20250122-WS.
[13]*Id.*

Contractual Services – Legal (633/733)

The Utility did not record any expense for contractual services – legal. Audit staff reclassified $13,660 from Accounts 631 – Contractual Services – Professional and 731 – Contractual Services – Professional, resulting in an increase of $6,830 for both water and wastewater. Additionally, staff decreased the expense for both water and wastewater by $4,182 to reflect the removal of legal expenses related to the Utility's 2023 SARC, based on supporting documentation provided in response to staff's third data request.[14] Therefore, staff recommends a contractual services – legal expense of $2,648 for both water and wastewater.

Contractual Services – Management Fee (634/734)

The Utility did not record any expense for contractual services – management fee. Audit staff increased the expense for both water and wastewater by $6,412 to reflect reclassification of $12,825 in expense from Accounts 631 – Contractual Services – Professional and 731 – Contractual Services – Professional. Therefore, staff recommends a contractual services – management fee expense of $6,412 for both water and wastewater.

Contractual Services – Testing (635/735)

The Utility recorded contractual services – testing expense of $5,195 for water and $12,466 for wastewater. Audit staff increased the water expense by $2,853 after reclassifying expense from Account 631 – Contractual Services – Professional. Audit staff also increased the water expense by $125 after reclassifying expense from Account 636 – Contractual Services – Other. Audit staff decreased the wastewater expense by $12,410 after reclassifying $2,396 to Account 618 and $10,014 to Account 718 – Chemicals Expense. Audit staff decreased wastewater expense by $55 after reclassifying an expense to Account 736 – Contractual Services – Other. Staff's adjustments result in a net increase of $2,978 for water and a net decrease of $12,466 for wastewater. Therefore, staff recommends a contractual services – testing expense of $8,173 for water and zero expense for wastewater.

Contractual Services – Other (636/736)

The Utility recorded contractual services – other expense of $6,209 for water and $1,853 for wastewater. Audit staff decreased the water expense by $3,799 and $125, and reclassified these expenses to Account 631 – Contractual Services – Professional and Account 635 – Contractual Services – Testing, respectively. Audit staff increased the wastewater expense by $3,435 and $2,240 after reclassifying from Account 711 – Sludge Removal Expense and Account 731 – Contractual Services – Professional, respectively. Staff's adjustments result in a net decrease of $3,924 for water and a net increase of $5,675 for wastewater. Therefore, staff recommends a contractual services – other expense of $2,285 for water and $7,529 for wastewater.

Rental of Equipment (742)

The Utility did not record any expense for rental of equipment. Audit staff increased this amount by $504 to reflect the reclassification of expense from Account 711 – Sludge Removal Expense. Therefore, staff recommends a rental of equipment expense of $504.

---

[14]Document No. 02933-2026, filed May 15, 2026, in Docket No. 20250122-WS.

Rate Case Expense (665/765)

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, interim rates, final rates, and four-year rate reduction. Staff calculated noticing costs to be $3,082. Staff calculated the distance from the Utility representative's office in Sebring, Florida, to Tallahassee as 325 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 $671. Additionally, the Utility paid a filing fee, of $1,000 for water and $1,000 for wastewater.

Staff recommends a total rate case expense, consisting of noticing costs, travel, lodging expenses, and filing fee of $2,894 for water and $2,859 for wastewater, which amortized over four years is $723 for water and $715 for wastewater. Therefore, staff recommends total annual rate case expense of $723 for water and $715 for wastewater.

Bad Debt (670/770)

The Utility did not record any bad debt for water or wastewater. In its three most recent Annual Reports (2022, 2023, 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 is accurate and reflects its accounting records.[15] Therefore, staff recommends a bad debt expense of zero for both water and wastewater.

Operation and Maintenance Expense Summary

The Utility recorded test year O&M expenses of $159,620 for water and $124,242 for wastewater. Based on the above adjustments, staff recommends that O&M expenses be decreased by $10,433 for water and $13,766 for wastewater. This results in a total O&M expense of $149,187 for water and $110,476 for wastewater. Staff's recommended adjustments to O&M are shown on Schedule No. 3-D and Schedule No. 3-E, respectively.

Depreciation Expense

The Utility recorded depreciation expense of $77,651 for water and $66,768 for wastewater. Based on the depreciation rates prescribed in Rule 25-30,140, F.A.C., audit staff increased this amount by $2,048 for water and decreased it by $43,613 for wastewater to reflect changes to UPIS.

Staff decreased this amount by $26,124 for water and $3,243 for wastewater to reflect the retirements made to UPIS and the application of the appropriate depreciation rates pursuant to Rule 25-30.140, F.A.C. In addition, staff increased depreciation expense by $16,387 for water and $6,453 for wastewater to reflect pro forma additions and retirements.

Therefore, staff recommends depreciation expense of $69,962 for water and $26,365 for wastewater.

---

[15] Document No. 02207-2026, filed April 16, 2026, in Docket No. 20250122-WS.

Capital Recovery Amortization Expense

As discussed in Issue 4, staff recommends a capital recovery schedule of $15,940 for water over a seven-year amortization period. The corresponding annual amortization expense is $2,277 for water.

Taxes Other Than Income (TOTI)

The Utility recorded TOTI of $10,712 for water and $9,756 for wastewater. Audit staff decreased these amounts by $133 for water and $41 for wastewater to reflect adjustments made to Regulatory Assessment Fees (RAFs) based on an audit revenue adjustment. Staff decreased property taxes for water by $2,739 and increased property taxes for wastewater by $3,129 to reflect 2024 property taxes as well as proper allocation between the two systems based on land percentage. Staff further increased TOTI by $3,306 for water and $1,139 for wastewater to reflect property taxes associated with pro forma plant additions.

Based on revenues discussed in Issue 6, TOTI should be increased by $605 for water and $360 for wastewater 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 $169,104 for water and $64,050 for wastewater to reflect the change in revenue required to cover expenses and allow an opportunity to earn the recommended rate of return. As a result, TOTI should be increased by $7,610 for water and $2,882 for wastewater to reflect RAFs of 4.5 percent of the change in revenues. Staff's adjustments result in a net increase of $8,649 for water and $7,470 for wastewater. Therefore, staff recommends TOTI of $19,360 for water and $17,226 for wastewater.

Operating Expense Summary

The Utility recorded operating expenses of $247,983 for water and $200,766 for wastewater. Staff's net adjustments result in a decrease of $7,195 for water and $46,699 for wastewater. The application of staff's recommended adjustments to the Utility's operating expense results in a total operating expense of $240,787 for water and $154,067 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B, and the related adjustments are shown on Schedule No. 3-C.

Issue 8: Does Buttonwood Bay meet the criteria for application of the operating ratio methodology?

Preliminary Recommendation: No, Buttonwood Bay does not meet the criteria for application of the operating ratio methodology for calculating the revenue requirement. (Worrall)

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 Buttonwood Bay, staff has recommended a rate base of $1,093,937 for water and $588,923 for wastewater. After removal of rate case expense, staff calculated an adjusted O&M expense of $148,464 for water and $109,761 for wastewater. Based on staff's preliminary recommended amounts, the Utility's water rate base is 736.84 percent of its adjusted O&M expense and its wastewater rate base is 536.55 percent of its adjusted O&M expense. Based on these results, the Utility does not qualify for application of the operating ratio methodology.

Issue 9: What is the appropriate revenue requirement for Buttonwood Bay?

Preliminary Recommendation: The appropriate revenue requirement is $333,848 for water and $204,167 for wastewater, resulting in an annual increase of $169,104 (102.65%) for water and $64,050 (45.71%) for wastewater. (Worrall)

Staff Analysis: Buttonwood Bay should be allowed an annual increase of $169,104 (102.65%) for water and $64,050 (45.71%) for wastewater. This should allow the Utility the opportunity to recover expenses and earn an 8.51 percent return on its rate base. The calculations of revenue requirement are shown on Table 9-1 and Table 9-2 below.[16]

Table 9-1
Water Revenue Requirement

Water Rate Base	$1,093,937
Rate of Return	× 8.51%
Return On Rate Base	$93,061
Water O&M Expense	$149,187
Depreciation Expense	$69,962
Amortization	$2,277
Taxes Other Than Income	$19,360
Income Taxes	$0
Revenue Requirement	$333,848
Less Test Year Revenues	$164,744
Annual Increase / (Decrease)	$169,104
Percent Increase / (Decrease)	102.65%

Source: Staff calculations

[16]Staff notes the calculations presented in Table 9-1 and Table 9-2 may not compute due to rounding.

Table 9-2
Wastewater Revenue Requirement

Wastewater Rate Base	$588,923
Rate of Return	× 8.51%
Return on Rate Base	$50,100
Wastewater O&M Expense	$110,476
Depreciation Expense	$26,365
Amortization	$0
Taxes Other Than Income	$17,226
Income Taxes	$0
Revenue Requirement	$204,167
Less Test Year Revenues	$140,117
Annual Increase / (Decrease)	$64,050
Percent Increase / (Decrease)	45.71%

Source: Staff calculations

Issue 10: What are the appropriate rate structure and rates for Buttonwood Bay's water and wastewater system?

Preliminary Recommendation: The recommended rate structure and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4B. 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 within 10 days of the date of the notice. (Sibley)

Staff Analysis:

Water Rates

Buttonwood Bay is located in Highlands County within the Southwest Florida Water Management District (SWFWMD). The Utility provides water service to 858 residential customers. There are also 21 general service customers, which includes 4 irrigation service customers. According to the billing data, approximately 24 percent of the residential customer bills during the test year had zero gallons, and the cumulative bills at the 1,000 gallon consumption level, represent approximately 39 percent of the residential customer bills, indicating a seasonal customer base. The average residential water demand is 4,968 gallons. The average water demand, excluding zero-gallon bills, is 6,528 gallons per month. The Utility's current rate structure for the water system consists of a base facility charge (BFC) and a uniform gallonage charge for residential and general service.

Staff performed an analysis of the Utility's billing data in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

As mentioned above, the billing data indicates a seasonal customer base coupled with high discretionary consumption. The Utility's current BFC allocation is 67 percent, which exceeds the Commission's practice of recovering at least 50 percent of costs through the BFC for a seasonal customer base. In this case, staff recommends that the BFC allocation be reduced from 67 percent to 55 percent, which will minimize the rate impact at non-discretionary levels of consumption. Staff's recommended BFC allocation of 55 percent will also allow the Utility to maintain revenue stability and target customers that are using a higher level of usage.

The average people per household served by the water system is 2.16;[17] therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 4,000 gallons per month.[18] Staff's

[17] Average persons per household may be found by following:
https://www.census.gov/quickfacts/fact/table/sebringcityflorida/PST045224

review of the billing data indicates that discretionary usage above 4,000 gallons represents approximately 36 percent of the bills, which accounts for approximately 59 percent of water demand. This indicates that there is high discretionary usage above 4,000 gallons. Furthermore, staff evaluated whether the current rate structure is appropriate in this case. Based on staff's evaluation, approximately 27 percent of the discretionary usage is remaining at the 10,000 gallon level. Staff recommends a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks are: (1) 0 – 4,000 gallons; 2) 4,000 – 10,000 gallons; and 3) over 10,000 gallons per month. General service customers should be billed a BFC and a uniform gallonage charge.

Based on staff's recommended revenue increase of 102.6 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 15,402,000 gallons, resulting in anticipated average residential demand of 3,355 gallons per month. Staff recommends a 32.5 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are $8,408 for purchased power expense, $8,682 for chemical expense, and $805 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of $315,953.

Wastewater Rates

The Utility provides wastewater service to approximately 858 residential customers and 9 general service customers. Currently, the wastewater rate structure for residential customers consists of a monthly uniform BFC for all meter sizes and gallonage charge with a 6,000 gallonage cap. The general service customers are billed a BFC by meter size and a single gallonage charge.

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater customers. The goal of the evaluation was to select the rate design parameters that: 1) produce the recommended revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; and 3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

Currently, the Utility's BFC allocation is approximately 79 percent of the wastewater revenue. Staff allocated 60 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants coupled with a seasonal customer base. The Utility's current wastewater gallonage cap is set at 6,000 gallons per month, which represents 54.05 percent of the gallons. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. It is Commission practice to set the wastewater cap at approximately 80 percent of residential water sold, which typically results in gallonage caps of 6,000, 8,000, or 10,000. Based on staff's review of the billing analysis, 79.32 percent of the gallons are captured at the 10,000 gallon level consumption level. Therefore, staff recommends that the wastewater gallonage cap should be changed to 10,000 gallons. Staff also recommends that the general service gallonage charge be changed to be 1.2 times greater than the residential gallonage charge.

In addition, based on the expected reduction in water demand described above, staff recommends that a repression adjustment also be made for wastewater. Because wastewater rates are calculated based on customers' water demand, if those customers' water demand is expected to decline, then the billing determinants used to calculate wastewater rates should also be adjusted. Based on the billing analysis for the wastewater system, staff recommends that a repression adjustment of 5,157,659 gallons to reflect the anticipated reduction in water demand be used to calculate wastewater rates. Staff recommends a 14.57 percent reduction in total residential consumption and corresponding reductions of $2,616 for sludge removal, $3,222 for purchased power, $1,810 for chemicals and $344 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $196,176.

Conclusion

The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. 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 within 10 days of the date of the notice.

Issue 11: Should Buttonwood Bay's miscellaneous service charges be revised to conform to Rule 25-30.460, F.A.C.?

Preliminary Recommendation: Yes. Staff recommends that the miscellaneous service charges be revised to comply with Rule 25-30.460, F.A.C. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charge should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(2), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given by affidavit no less than 10 days after the date of notice. (Sibley)

Staff Analysis: In its application, 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 a rate or charge other than monthly rates or service availability charges. Currently, Buttonwood Bay has an initial connection charge, a normal reconnection charge, and a violation reconnection charge of $15. The Utility also has a premises visit charge (in lieu of disconnection) of $10. Rule 25-30.460, F.A.C., does not allow for initial connection and normal reconnection charges. The definitions for initial connection charges and normal reconnection charges were subsumed into the definition of the premises visit charge. Therefore, staff recommends that the initial and reconnection charges be removed. Since the premises visit now entails a broader range of tasks, staff recommends the premises visit charge reflect the amount of the higher initial connection charge of $15. Therefore, the premises visit charge should be $15. Staff recommends that 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 miscellaneous service charges be revised to comply with Rule 25-30.460, F.A.C. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charge should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(2), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given by affidavit no less than 10 days after the date of notice.

Issue 12: Should the Utility's service availability charges be revised?

Preliminary Recommendation: Yes. The Utility's existing system capacity charges for water and wastewater should be discontinued. Staff recommends that the existing meter installation charges remain in effect. The Utility should file revised tariff sheets and a proposed customer notice. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide notice to potential customers who have requested service within 12 calendar months prior to the month the application was filed and up until this Order becomes final. The approved charge should be effective for connections made on or after the stamped approval date on the tariff sheet. The Utility should provide proof of the date notice was given within 10 days of the date of notice. (Sibley)

Staff Analysis: The Commission approved Buttonwood Bay's existing service availability charges in a transfer and certificate docket in 2003.[19] The service availability charges consist of a system capacity charge of $600 and meter installation charges of $70 for a 5/8 inch x 3/4 inch meter size and actual costs for all other meter sizes. The system capacity charge for wastewater is $875. A system capacity charge is a single service availability charge that includes the cost of both plant and lines. For a Utility that receives donated lines from a developer, an individual customer connecting to those lines should only be responsible for a service availability charge that reflects plant costs. Therefore, separate charges are typically developed to reflect the customer's share of plant costs (plant capacity charges) and the cost of lines in lieu of donated lines (main extension charges).

Rule 25-30.580, F.A.C., establishes guidelines for designing service availability charges. Pursuant to the Rule, the maximum amount of CIAC, net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the Utility's facilities and plant when the facilities and plant are at their designed capacity. The minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution system and sewage collection systems. The contribution levels are zero percent for water and wastewater, respectively. In addition, Buttonwood Bay is completely built out and there is no potential for expansion of the service territory. Therefore, no main extension charge or plant capacity charge should be implemented in this case. Staff recommends Buttonwood Bay's system capacity charge for both water and wastewater be discontinued. Staff also recommends that the meter installation charges remain unchanged.

Staff recommends that the Utility's existing system capacity charges for water and wastewater should be discontinued. Staff recommends that the existing meter installation charges remain in effect. The Utility should file revised tariff sheets and a proposed customer notice. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide notice to potential customers who have requested service within 12 calendar months prior to the month the application was filed and up until this Order becomes final. The approved charge should be effective for connections made on or after the

[19]Order No. PSC-03-0759-PAA-WS, issued June 23, 2003, in Docket No. 20020892-WS, In re: Application for transfer of facilities and Certificates Nos. 431-W and 364-S in Highlands County from Buttonwood Bay Water and Sewer Company, LLC to Sun Communities Acquisitions, LLC d/b/a Buttonwood Bay Utilities.

stamped approval date on the tariff sheet. The Utility should provide proof of the date notice was given within 10 days of the date of notice.

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. Buttonwood Bay 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. (Worrall)

Staff Analysis: Section 367.081, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. This results in a reduction of $757 for water and $749 for wastewater.

Staff recommends that the rates 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. Buttonwood Bay 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 Buttonwood Bay 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. Buttonwood Bay 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. (Worrall)

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. Buttonwood Bay should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for service 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.

Buttonwood Bay 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 $115,472 for water and $43,736 for wastewater. 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.

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES TEST YEAR ENDED 12/31/2024 SCHEDULE OF WATER RATE BASE			SCHEDULE NO. 1-A DOCKET NO. 20250122-WS
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	$2,264,116	($153,696)	$2,110,420
2. LAND & LAND RIGHTS	4,600	0	4,600
3. ACCUMULATED DEPRECIATION	(1,439,238)	384,795	(1,054,443)
4. CIAC	(216,940)	0	(216,940)
5. ACCUMULATED AMORTIZATION OF CIAC	216,940	0	216,940
6. CAPITAL RECOVERY	0	15,940	15,940
7. ACCUMULATED AMORTIZATION OF CAPITAL RECOVERY	0	(1,139)	(1,139)
8. WORKING CAPITAL ALLOWANCE	$0	$18,558	$18,558
WATER RATE BASE	$829,478	$264,459	$1,093,937

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES TEST YEAR ENDED 12/31/2024 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-B DOCKET NO. 20250122-WS	
DESCRIPTION	**BALANCE PER UTILITY**	**STAFF ADJUST.**	**BALANCE PER STAFF**
1. UTILITY PLANT IN SERVICE	$1,804,226	($79,458)	$1,724,769
2. LAND & LAND RIGHTS	31,000	0	31,000
3. ACCUMULATED DEPRECIATION	(1,481,086)	300,521	(1,180,565)
4. CIAC	(227,500)	0	(227,500)
5. ACCUMULATED AMORTIZATION OF CIAC	227,500	0	227,500
6. WORKING CAPITAL ALLOWANCE	$0	$13,720	$13,720
WASTEWATER RATE BASE	$354,140	$234,783	$588,923

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A
BUTTONWOOD BAY UTILITIES
TEST YEAR ENDED 12/31/2024
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-C
DOCKET NO. 20250122-WS

	WATER	WASTEWATER
UTILITY PLANT IN SERVICE		
1. To reflect auditing adjustments.	($290,048)	($90,331)
2. To reflect staff's adjustments.	(106,441)	(86,126)
3. To reflect averaging adjustments.	6,804	199
4. To reflect pro forma additions.	334,319	147,204
5. To reflect pro forma retirements.	(98,330)	(50,403)
Total	($153,696)	($79,458)
ACCUMULATED DEPRECIATION		
1. To reflect auditing adjustments.	$169,628	$191,127
2. To reflect staff's adjustments.	190,363	107,734
3. To reflect averaging adjustments.	(55,332)	(42,290)
4. To reflect pro forma adjustments.	80,136	43,950
Total	$384,795	$300,521
CAPITAL RECOVERY		
1. To reflect a staff adjustment.	$15,940	$0
ACCUMULATED AMORTIZATION OF CAPITAL RECOVERY		
1. To reflect an auditing adjustment.	($1,139)	$0
WORKING CAPITAL ALLOWANCE		
To reflect 1/8 of test year O&M expenses.	$18,558	$13,720

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES **SCHEDULE NO. 2**
TEST YEAR ENDED 12/31/2024 **DOCKET NO. 20250122-WS**
SCHEDULE OF CAPITAL STRUCTURE

	CAPITAL COMPONENT	PER UTILITY	ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON EQUITY	$1,183,618	$499,242	$1,682,860	100.00%	8.51%	8.51%
	TOTAL CAPITAL	$1,183,618	$499,242	$1,682,860	100.00%		8.51%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	7.51%	9.51%
OVERALL RATE OF RETURN	7.51%	9.51%

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A
BUTTONWOOD BAY UTILITIES
TEST YEAR ENDED 12/31/2024
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
DOCKET NO. 20250122-WS

	TEST YEAR PER UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST YEAR	ADJUST FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	$154,284	$10,460	$164,744	$169,104	$333,848
				102.65%	
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$159,620	($10,433)	$149,187		$149,187
3. DEPRECIATION	77,651	(7,689)	69,962		69,962
4. AMORTIZATION	0	2,277	2,277		2,277
5. TAXES OTHER THAN INCOME	10,712	1,039	11,751	7,610	19,360
TOTAL OPERATING EXPENSES	$247,983	($14,805)	$233,177	$7,610	$240,787
6. OPERATING INCOME / (LOSS)	($93,699)		($68,433)		$93,061
7. WATER RATE BASE	$829,478	$264,459	$1,093,937		$1,093,937
8. RATE OF RETURN					8.51%

**SUN COMMUNITIES ACQUISITIONS, LLC D/B/A
BUTTONWOOD BAY UTILITIES
TEST YEAR ENDED 12/31/2024
SCHEDULE OF WASTEWATER OPERATING INCOME**

**SCHEDULE NO. 3-B
DOCKET NO. 20250122-WS**

	TEST YEAR PER UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST YEAR	ADJUST FOR INCREASE	REVENUE REQUIREMENT
1. **TOTAL OPERATING REVENUES**	$133,036	$7,081	$140,117	$64,050	$204,167
				45.71%	
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$124,242	($13,766)	$110,476		$110,476
3. DEPRECIATION	66,768	(40,403)	26,365		26,365
4. AMORTIZATION	0	0	0		0
5. TAXES OTHER THAN INCOME	9,756	4,588	14,344	2,882	17,226
TOTAL OPERATING EXPENSES	$200,766	($49,581)	$151,185	$2,882	$154,067
6. **OPERATING INCOME / (LOSS)**	($67,730)		($11,068)		$50,100
7. **WASTEWATER RATE BASE**	$354,140	$234,783	$588,923		$588,923
8. **RATE OF RETURN**					8.51%

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES TEST YEAR ENDED 12/31/2024 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE 3-C DOCKET NO. 20250122-WS PAGE 1 OF 2	
	WATER	**WASTEWATER**
OPERATING REVENUES		
1. To reflect an auditing adjustment to Service Revenues.	($2,985)	($923)
2. To reflect the appropriate test year Service Revenues	13,445	8,004
Total	$10,460	$7,081
OPERATION AND MAINTENANCE EXPENSE		
1. Sludge Removal Expense (711)		
a. To reflect an auditing adjustment.		($4,391)
2. Purchased Power (615 / 715)		
a. To reflect auditing adjustments.	$4,499	($2,694)
b. To reflect staff adjustment	212	2,462
Subtotal	$4,711	($232)
3. Chemicals Expense (618 / 718)		
a. To reflect auditing adjustments.	$445	$12,418
4. Contractual Services - Professional (631 / 731)		
a. To reflect auditing reclassifications.	($25,539)	($28,671)
b. To reflect increased operator costs.	498	498
c. To reflect Hurricane Milton storm cost.	0	2,508
Subtotal	($25,041)	($25,665)
5. Contractual Services - Accounting (632 / 732)		
a. To reflect accounting contractual services.	$615	$615
6. Contractual Services - Legal (633 / 733)		
a. To reflect auditing adjustments.	$6,830	$6,830
b. To reflect a staff adjustment.	(4,182)	(4,182)
Subtotal	$2,648	$2,648
7. Contractual Services - Management Fee (634 / 734)		
a. To reflect auditing adjustments.	$6,412	$6,412
8. Contractual Services - Testing (635 / 735)		
a. To reflect auditing reclassifications.	$2,978	($12,466)
9. Contractual Services - Other (636 / 736)		
a. To reflect auditing reclassifications.	($3,924)	$5,675
10. Rental of Equipment (642 / 742)		
a. To reflect an auditing adjustment.	$0	$504
11. Rate Case Expense (665 / 765)		
a. To reflect 1/4 rate case expense.	$723	$715
TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS	($10,433)	($13,766)

	SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES TEST YEAR ENDED 12/31/2024 ADJUSTMENTS TO OPERATING INCOME	SCHEDULE 3-C DOCKET NO. 20250122-WS	PAGE 2 OF 2
	DEPRECIATION EXPENSE		
1.	To reflect auditing adjustments.	$2,048	($43.613)
2.	To reflect staff adjustments.	(26,124)	(3.243)
3.	To reflect pro forma additions.	16,387	6,453
	Total	($7,689)	($40,403)
	AMORTIZATION EXPENSE (NET)		
1.	To reflect an auditing adjustment	$2,277	$0
	TAXES OTHER THAN INCOME		
1.	To reflect auditing adjustments.	($133)	($41)
2.	To reflect appropriate test year RAF's.	605	360
3.	To reflect 2024 property taxes and proper allocation.	(2,739)	3,129
4.	To reflect property taxes associated with the pro forma plant additions.	3,306	1,139
5.	To reflect appropriate revenue requirement RAF's.	7,610	2,882
	Total	$8,649	$7,470
	TOTAL OPERATING EXPENSE ADJUSTMENTS	($7,195)	($46,699)

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES
TEST YEAR ENDED 12/31/2024
ANALYSIS OF WATER O&M EXPENSE

SCHEDULE NO. 3-D
DOCKET NO. 20250122-WS

ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
615	Purchased Power	$22,339	4,711	$27,050
618	Chemicals	27,488	445	27,933
630	Contractual Services - Billing	7,178	0	7,178
631	Contractual Services - Professional	91,211	(25,041)	66,170
632	Contractual Services - Accounting	0	615	615
633	Contractual Services - Legal	0	2,648	2,648
634	Contractual Services - Management Fee	0	6,412	6,412
635	Contractual Services - Testing	5,195	2,978	8,173
636	Contractual Services - Other	6,209	(3,924)	2,285
665	Rate Case Expense	0	723	723
	Total O&M Expense	$159,620	($10,433)	$149,187
	Working Capital is 1/8 of O&M Less RCE			$18,558

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES — **SCHEDULE NO. 3-E**
TEST YEAR ENDED 12/31/2024 — **DOCKET NO. 20250122-WS**
ANALYSIS OF WASTEWATER O&M EXPENSE

ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
711	Sludge Removal Expense	$22,341	(4,391)	$17,950
715	Purchased Power	22,339	(232)	22,107
718	Chemicals	0	12,418	12,418
730	Contractual Services - Billing	7,178	0	7,178
731	Contractual Services - Professional	58,065	(25,665)	32,400
732	Contractual Services - Accounting	0	615	615
733	Contractual Services - Legal	0	2,648	2,648
734	Contractual Services - Management Fee	0	6,412	6,412
735	Contractual Services - Testing	12,466	(12,466)	0
736	Contractual Services - Other	1,853	5,675	7,528
742	Rental of Equipment	0	504	504
765	Rate Case Expense	0	715	715
	Total O&M Expense	$124,242	($13,766)	$110,476
	Working Capital is 1/8 of O&M Less RCE			$13,720

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES TEST YEAR ENDED DECEMBER 31, 2024 MONTHLY WATER RATES			SCHEDULE NO. 4-A DOCKET NO. 20250122-WS
	UTILITY CURRENT RATES	**STAFF RECOMMENDED RATES**	**4-YEAR RATE REDUCTION**
Residential & General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$10.72	$16.87	$0.04
3/4"	N/A	$25.31	$0.06
1"	$26.80	$42.18	$0.10
1 - 1/2"	$53.60	$84.35	$0.20
2"	$85.76	$134.96	$0.32
3"	$171.52	$269.92	$0.65
4"	$268.00	$421.75	$1.01
6"	$536.00	$843.50	$2.02
Charge per 1,000 gallons - Residential & General Service	$1.09	N/A	N/A
Charge per 1,000 gallons - Residential Service			
0 - 4,000 gallons	N/A	$3.39	$0.01
4,001 - 10,000 gallons	N/A	$5.09	$0.01
Over 10,000 gallons	N/A	$5.93	$0.01
Charge per 1,000 gallons - General Service	N/A	$4.16	$0.01
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
5,000 Gallons	$16.17	$35.52	
10,000 Gallons	$21.62	$60.97	
15,000 Gallons	$27.07	$90.62	

SUN COMMUNITIES ACQUISITIONS, LLC D/B/A BUTTONWOOD BAY UTILITIES **SCHEDULE NO. 4-B**
TEST YEAR ENDED DECEMBER 31, 2024 **DOCKET NO. 20250122-WS**
MONTHLY WASTEWATER RATES

	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
Residential Service			
All Meter Sizes	$11.01	$12.13	$0.05
Charge per 1,000 gallons (6,000 gallon cap)	$1.06	N/A	N/A
Charge per 1,000 gallons (10,000 gallon cap)	N/A	$2.33	$0.01
General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$11.01	$12.13	$0.05
3/4"	N/A	$18.20	$0.07
1"	$27.53	$30.33	$0.12
1 - 1/2"	$55.05	$60.65	$0.24
2"	$88.08	$97.04	$0.38
3"	$176.16	$194.08	$0.76
4"	$275.25	$303.25	$1.18
6"	$550.50	$606.50	$2.37
Charge per 1,000 gallons	$1.06	$2.79	$0.01
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
4,000 Gallons	$15.25	$21.45	
8,000 Gallons	$17.37	$30.77	
10,000 Gallons	$17.37	$35.43	