

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: August 22, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Ramirez-Abundez, King, Ramos, Smith II) *TB*
Division of Economics (Bruce, Sibley, Hudson) *CD*
Office of the General Counsel (Imig, Augspurger) *AH*

RE: Docket No. 20250023-WS – Application for staff-assisted rate case in Polk County, by NC Real Estate Projects, LLC d/b/a Grenelefe Utility.

AGENDA: 09/04/25 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

NC Real Estate Projects LLC d/b/a Grenelefe Utility (Grenelefe or utility) is a Class B water and wastewater utility operating in Polk County. Grenelefe provides service to approximately 1,200 water and wastewater customers. The utility's service territory is located within the Southwest Florida Water Management District (SWFWMD). Grenelefe reported, in its 2024 Annual Report, net operating losses of \$197,676 for water, and \$397,410 for wastewater.

Certificate Nos. 589-W (water) and 507-S (wastewater) were transferred to the utility in Docket No. 20220142-WS.¹ Subsequently, on September 17, 2024, Grenelefe filed an application with the

¹Order No. PSC-2024-0228-PAA-WS, issued July 8, 2024, in Docket No. 20220142-WS, *In re: Application for transfer of water and wastewater facilities and Certificate Nos. 589-W and 507-S from Grenelefe Resort Utility, Inc. to NC Real Estate Projects, LLC d/b/a Grenelefe Utility, in Polk County.*

Commission for an amendment of its water and wastewater service territories. The Commission approved Grenelefe's certificate amendments on February 4, 2025, which included the addition of a new development of approximately 1,080 customers. Grenelefe's rates were last established during a staff-assisted rate case (SARC) in 2011.²

On January 10, 2025, Grenelefe filed an application for a SARC, with the official filing date of this SARC established as February 4, 2025. The 12-month period ended October 31, 2024, was selected as the test year. In its application, the utility requested interim service availability charges. However, Grenelefe did not provide any proposed charges with its filing and withdrew its initial request for interim service availability charges.³ Service availability charges are one-time cash contributions new customers or developers make to a utility prior to connection with the utility's water or wastewater facilities. The charges are recorded as a contribution-in-aid-of-construction (CIAC) and are treated as an offset to rate base, which allows the utility to recover a portion of its investments, thereby reducing rates over time.

On March 10, 2025, the utility filed proposed service availability charges from estimates of its pro forma plant additions it had received in December of 2024.⁴ Subsequently, on April 25, 2025, Grenelefe updated its requested charges to reflect actual bid proposals for the pro forma plant additions.⁵ Grenelefe expressed that time is of the essence with getting the service availability charges approved. The utility indicated that it is unable to obtain financing for the pro forma plant additions without service availability charges in place.

During the process of reviewing the service availability charges, staff and the utility engaged in discussions about the methodology in which service availability charges are calculated pursuant to Rule 25-30.580, Florida Administrative Code (F.A.C.). Staff explained to the utility that in making the determination of the appropriate service availability charges, it is Commission practice, pursuant to Rule 25-30.580, F.A.C., to use the total capacity in equivalent residential connections (ERCs) for the treatment plant, transmission and distribution lines, and collection lines. The utility disputes staff's methodology and interpretation of Rule 25-30.580, F.A.C., and asserts the charges should be based on the remaining (future) ERCs in determining the appropriate charge.⁶ While Grenelefe expressed that staff's position would place the burden on both existing and new customers through higher rates, staff believes that the costs cannot be recovered by the homebuilders pursuant to the Rule and Commission practice.

This recommendation addresses the utility's request for interim service availability charges. The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.101, 367.091, and 367.121, Florida Statutes (F.S.)

²Order No. PSC-2012-0433-PAA-WU, issued August 21, 2012, in Docket No. 20110141-WS, *In re: Application for staff-assisted rate case in Polk County by Grenelefe Resort Utility, Inc.*

³Document No. 00967-2025.

⁴Document No. 01438-2025.

⁵Document No. 03150-2025.

⁶See Letter from Grenelefe dated July 25, 2025, Document No. 08018-2025.

Discussion of Issues

Issue 1: Should Grenelefe's requested interim service availability charges be approved?

Recommendation: The interim service availability charges requested by Grenelefe should not be approved. Staff recommends interim service availability charges should be set as a plant capacity charge of \$320 for water and \$4,942 for wastewater. The utility should file a revised tariff sheet to reflect the Commission-approved charges. The approved charges shall be effective for connections made on or after the stamped approval date on the tariff sheet. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by property owners who requested service beginning 12 months prior to the establishment of this docket. The utility shall provide proof of noticing within 10 days of rendering the approved notice. The approved plant capacity charges should not be implemented until the required security has been established and shall be held subject to refund, pending the Commission's decision regarding the appropriate pro forma plant additions. (Hudson)

Staff Analysis: Grenelefe seeks interim service availability charges pending the completion of its SARC. Historically, the utility's water service availability charges consisted of a meter installation charge of \$65 and a service line extension and tap-in charge at actual cost. As part of a certificate transfer docket, Grenelefe was approved for an increase in its meter installation charge to \$600.⁷ There have been no approved service availability charges for the wastewater system.

In the pending SARC, the utility provided cost estimates for several pro forma plant additions for both the water and wastewater systems. The requested pro forma additions are being reviewed for inclusion in the final recommendation in the SARC. Therefore, the service availability charges are subject to change. For the water system, the utility proposed to replace meters, fire hydrants, valves, and the hydropneumatic tank; refurbish potable wells; and convert irrigation non-potable wells to potable wells. For the wastewater system, Grenelefe proposed modifications to the treatment plant and refurbish lift stations. Based on the requested pro forma plant additions, the utility proposed a service availability charge of \$2,402 for water and \$7,434 for wastewater. For both water and wastewater, Grenelefe's proposed charges contemplate the ERCs for recently approved housing developments in its territory, whereas staff, as required by Rule 25-30.580, F.A.C., relied on the design capacity of the facilities.

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. Pursuant to the Rule, staff calculated the minimum contribution to be 50.35 percent for water and 4.82 percent for wastewater.

⁷Order No. PSC-2024-0228-PAA-WS, issued July 8, 2024, in Docket No. 20220142-WS, *In re: Application for transfer of water and wastewater facilities and Certificate Nos. 589-W and 507-S from Grenelefe Resort Utility, Inc. to NC Real Estate Projects, LLC d/b/a Grenelefe Utility, in Polk County.*

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The utility did not categorize its service availability charge request (i.e., main extension or plant capacity charge). A main extension charge is for the purpose of covering all or part of the utility's capital costs in extending its off-site water or wastewater facilities to provide service to a specified property, whereas a plant capacity charge is for the purpose of covering all or a part of a utility's capital costs in construction or expansion of treatment facilities. In a transfer of majority organizational control docket in 2003, the utility did not have adequate books and records to provide the CIAC balances. As result, in that docket, the Commission imputed, per Rule 25-30.570, F.A.C., the cost of Grenelefe's water transmission and distribution lines and wastewater collection lines to reflect the appropriate CIAC.⁸ As a result, the utility is unable to receive a main extension charge. Further, Grenelefe did not propose any pro forma plant additions for lines in this SARC. Therefore, staff has conducted an evaluation of Grenelefe's request to determine whether a plant capacity charge is appropriate.

Based on staff's audit of Grenelefe's rate base, and before any additions for pro forma plant, the contribution level is 72 percent for water and 78 percent for wastewater. To evaluate the request for service availability charges, staff is using the preliminary rate base calculated for the staff report dated August 22, 2025, which includes the requested pro forma plant additions. With the pro forma additions, staff calculated the contribution levels to be 4.83 percent for water and 1.62 percent for wastewater.

Plant Capacity Charge - Water

The water treatment facilities have a capacity of 4,320,000 gallons per day (gpd), which equates to a design capacity of 12,342 equivalent residential connections (ERCs) based on an ERC of 350 gpd. Grenelefe indicated that it anticipates growth of 200 ERCs per year, which would reflect the utility reaching design capacity in approximately 55 years. Due to the length of time before the water system reaches design capacity, staff believes it is unrealistic to set the charges at complete design capacity. In a similar situation, the Commission determined that a shortened period of 10 years was appropriate for calculating service availability charges.⁹ A 10-year shortened period would result in Grenelefe foreseeably connecting an additional 2,000 ERCs. As a result, staff recommends that the total ERCs for calculating the appropriate plant capacity charge be set at 3,408 (1,408 + 2,000).

In order to determine the plant capacity charge, staff calculated the average cost per ERC for the water treatment plant per Commission precedent.¹⁰ Staff believes that using the average costs per ERC will result in reasonable service availability charges. Staff used the total treatment plant cost of \$1,089,900. Staff then divided this amount by 3,408 (which represents total capacity, as discussed above, in ERCs of the treatment plant). This calculation results in an average plant capacity cost per ERC of approximately \$320 (\$1,089,900/3,408). The corresponding plant

⁸Order No. PSC-2005-0142-PAA-WS, issued February 7, 2005, in Docket No. 20030123-WS, *In re: Application for transfer of majority organizational control of Sports Shinko Utility, Inc. d/b/a Grenelefe Utilities in Polk County and for name change on Certificate Nos. 589-W and 507-S to Grenelefe Resort Utility, Inc.*

⁹Order No. PSC-1993-1732-FOF-WS, issued December 1, 1993, in Docket No. 19930171, *In re: Application for approval of service availability Charges in Martin County by Indiantown Company, Inc.*

¹⁰Orders Nos. PSC-2012-0435-PAA-WU, issued August 22, 2012, in Docket No. 1999143-WU, *In re: Application for increase in water rates in Franklin County by Water Management Services, Inc.* and Order No. PSC-2000-1528-PAA-WU, issued August 23, 2000, in Docket No. 19991437-WU, *In re: Application for increase in water rates in Orange County by Wedgefield Utilities, Inc.*

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capacity charge for “all others-per gallon/day” would be \$.91 ($\$320/350$ gpd). Staff recommends a plant capacity charge of \$320. The plant capacity charge of \$320, along with its prior approved meter installation charge of \$600, will allow Grenelefe to be at approximately 25 percent contribution level in 10 years. Staff recognizes that the contribution level is below the minimum, which is the cost of lines. However, as previously noted, the cost of the lines was imputed.

Plant Capacity Charge - Wastewater

The wastewater treatment facilities have a capacity of 680,000 gpd, which equates to a design capacity of 2,428 ERCs based on an ERC of 280 gpd. Based on the utility’s growth projections of 200 ERCs per year, the wastewater system will reach design capacity in approximately 10 years. In order to determine the plant capacity charge, staff used the total wastewater treatment plant cost of \$16,300,000. Staff then divided this amount by 2,428, which represents the total capacity in ERCs of the treatment plant. This calculation results in an average plant capacity cost per ERC of approximately \$6,713 ($\$16,300,000/2,428$). However, this charge would result in the wastewater system being over-contributed at build out. Therefore, staff recommends a plant capacity charge of \$4,942, which would allow Grenelefe to be at a 75 percent contribution level at design capacity. The corresponding plant capacity charge for “all others-per gallon/day” would be \$17.65 ($\$4,942/280$ gpd).

Based on the above, the interim service availability charges requested by Grenelefe should not be approved. Staff recommends interim service availability charges should be set as a plant capacity charge of \$320 for water and \$4,942 for wastewater. The utility should file a revised tariff sheet to reflect the Commission-approved charges. The approved charges shall be effective for connections made on or after the stamped approval date on the tariff sheet. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by property owners who requested service beginning 12 months prior to the establishment of this docket. The utility shall provide proof of noticing within 10 days of rendering the approved notice. The approved plant capacity charges should not be implemented until the required security has been established and shall be held subject to refund, pending the Commission’s decision regarding the appropriate pro forma plant additions.

Issue 2: What is the appropriate security to guarantee the interim increase?

Recommendation: The utility should file an escrow agreement to guarantee potential refunds of water and wastewater plant capacity charges collected under interim conditions. Pursuant to Rule 25-30.360(7), F.A.C., the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. (Hudson)

Staff Analysis: Pursuant to Section 367.082, F.S., the excess of interim rates over previously authorized rate shall be collected under guarantee subject to refund with interest. In past Commission practice for service availability charges, the utility has been required to escrow all service availability charges collected during the interim period. Grenelefe did not have plant capacity charges prior to this request, therefore, staff believes it is appropriate to require that the total amount of the plant capacity charges collected during the interim period be placed in escrow.

The utility should be authorized to collect the interim service availability charges after staff approves: the security for potential refund, the copy of the proposed customer notice, and the revised tariff sheets. The utility should establish an escrow agreement with an independent financial institution. 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.

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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.

After the plant capacity charges 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.

Issue 3: Should this docket be closed?

Recommendation: This docket should remain open pending final resolution of SARC. (Imig, Augspurger)

Staff Analysis: This docket should remain open pending final resolution of SARC.