

Public Service Commission

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

DATE: December 5, 1996
TO: Records and Reporting
FROM: Jackie Gilchrist
RE: Docket No. 951075-WS - Disposition of Gross-up Funds Collected by Lake Groves Utilities, Inc. in Lake County.

Please place the attached documentation into the utility's docket file. As instructed, two copies are included with this memo.

cc: Cyrus-Williams

ACK _____
AFA _____
APP _____
CAF _____
CMU _____
CTR _____
EAG _____
LEG _____
LIN _____
OPC _____
RCH _____
SEC / _____
WAS _____
OTH _____

DOCUMENT NUMBER-DATE

12964 DEC-58

FPSC-RECORDS/REPORTING



October 24, 1996

Ms. Connie L. McCaskill
Supervisor/Limited Filings
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0873

RECEIVED

OCT 28 1996

Florida Public Service Commission
Division of Water and Wastewater

Re: Amended 1993 and 1994 CIAC Reports for Lake Groves Utilities, Inc.

Dear Ms. McCaskill:

Enclosed please find amended CIAC reports for the above named utility company. These reports were revised for several reasons.

1993 and 1994 were both amended for the following:

1. We revised the used and useful percentages for the wastewater division. We have adjusted these percentages based on actual gallons of sewage treated during the year rather than on the number of customers being served. This percentage reflects a more realistic calculation of the portion of plant being used.

2. We moved meter income below the line (per Jackie Gilchrest of the Public Service Commission).

1994 was revised for the following:

1. We have included an additional \$75,900 of taxable income for the year. This amount is gross up taxes related to CIAC property received during 1994. Lake Groves Utilities, Inc. had a note receivable for this amount on December 31, 1994. We received the cash in January of 1995. Because we are an accrual basis taxpayer, we should have recognized this amount into income during 1994.

If you have any questions or need additional information, please call me at (407) 869-0300.

Sincerely,

Lester N. Mandell
President

LNm/gmg

Enclosures

CALCULATION OF CIAC GROSS-UP OVER/UNDER COLLECTION
SUPPLEMENT TO THE CIAC REPORT
LAKE GROVES UTILITIES, INC.
DECEMBER 31, 1994

Revised

G:\DATA\LGUN1994\CIACREP4 WK1

DECEMBER 31, 1994

1. Above the Line Taxable Income
2. Less Taxable CIAC (excludes Meters)
3. Less Gross-up collected
4. Add first years depreciation on CIAC
5. Deduct interest on CIAC
- 6.
7. Adjusted income before CIAC and Gross-up
- 8.
9. Taxable CIAC
10. Less CIAC ineligible for gross-up
- 11.
12. Taxable CIAC resulting in a tax liability
13. Less first years depreciation
- 14.
15. Net taxable CIAC
16. Incremental State and Federal Tax Rate
- 17.
18. Net Income Tax on CIAC
19. Less ITC Realized
- 20.
21. Net Income Tax
22. Expansion Factor for Gross-up Taxes
- 23.
24. Gross-up required to pay tax effect
25. Less Gross-up Collected
- 26.
27. (OVER) OR UNDER COLLECTION

SUGGESTED
FORMAT

890,800
(827,581)
(375,790)
12,254
(1,398)
(1,715)
627,581
0
625,886
(12,254)
613,612
37.63%
230,902
0
230,902
1.80333%
370,214
(375,790)
(5,576)

NOTES

CIAC IS DETAILED AS FOLLOWS:

CIAC, EXCLUDING METERS	627,581
METERS	3,484
GROSS-UP	375,790
TOTAL TAXABLE CIAC AS REPORTED ON FORM 1120	1,006,855
LESS METERS	3,484
LESS GROSS-UP	375,790
ADJUSTED LINE 2 AMOUNT	627,581

LAKE GROVES UTILITIES, INC.
CALCULATION OF ABOVE AND BELOW THE LINE TAXABLE INCOME
12/31/94

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Revised

ABOVE THE LINE OPERATIONS:
OPERATING REVENUES

Form 1120, Line 11
LESS Below the Line Amounts:
Interest Income 1,136,072 (A)
Interest Income - CIAC (10,052)
Miscellaneous Income 1,386
Meter Income (50)
Total Above the Line Operating Revenue 1,123,894

OPERATING EXPENSES

Form 1120, Line 27
LESS Below the Line Amounts:
Depreciation expense on non-used & useful plant 451,608
Miscellaneous expenses on non-used & useful plant (78,033) See Attached Sch. I
Interest Expense on non rate base debt (84,306) See Attached Sch. II
Total Above the Line Operating Expenses 156,185
Above the Line Taxable Income 133,084
990,800

BELOW THE LINE OPERATIONS:

Interest Income
Interest Income - CIAC 10,052
Miscellaneous Income (1,386)
Meter Income 50
Total Below the Line Revenue 3,484
Depreciation expense on non-used & useful plant 12,188
Miscellaneous expenses on non-used & useful plant 78,033 See Attached Sch. I
Interest Expense on non rate base debt 84,306 See Attached Sch. II
Total Below the Line Expenses 156,185
Below the Line Taxable income/(loss) 348,624
(305,336)
654,464
★ (21,789)
632,675

TAXABLE INCOME BEFORE NOL
NOL CARRYOVER USED
TAXABLE INCOME PER TAX RETURN

(A) Line 11 per 1994 federal tax return equals \$1,090,172. \$75,900 of gross up tax should have been included in 1994 income instead of 1995. Therefore, revised Line 11 income is \$1,136,072. (1995 gross up report reflects a decrease in income of \$75,900 on Line 11). Revised taxable income for 1994 is \$662,695.

*** Includes CIAC:

CIAC INCOME - CASH
CIAC INCOME - BACKFLOW DEVICES
CIAC INCOME - METERS
CIAC GROSS-UP INCOME

Total CIAC Collected

WATER	SEWER	TOTAL
344,319	281,998	626,317
1,264		1,264
3,484		3,484
206,592	188,198	375,790
555,659	451,196	1,006,855

* Talked with Tina Abrasty on 11/25/96. She thinks the new generated below the line, however, she is leaving the decision to staff's discretion. Based on the annual report filed, utility had net operating income for the years 1993-1995. Therefore staff is inclined to believe that the net should go below the line, therefore CIAC will not be used to offset CIAC. Connie & I agree.

LAKE HOLDING, INC. & SUBSIDIARIES
59-3111756
SUPPLEMENTAL SCHEDULE
12/31/94

FEDERAL NOL CARRYFORWARD SCHEDULE

LAKE GROVES UTILITIES, INC. (ID #59-3001293) HAS A NET OPERATING LOSS CARRYFORWARD OF \$21,769 WHICH IS UTILIZED IN 1994 DUE TO SUFFICIENT TAXABLE INCOME.

NOL FROM 1990	50,022
UTILIZED IN 1991	(37,739)
NOL FROM 1992	9,486
UTILIZED IN 1993	N/A-SRLY
UTILIZED IN 1994	(21,769)

CARRYFORWARD TO 1995	0
	=====

LAKE GROVES UTILITIES, INC. (ID #59-3001293) HAS AN ALTERNATIVE MINIMUM TAX CREDIT CARRYFORWARD OF \$1,856 WHICH IS UTILIZED IN 1994 DUE TO SUFFICIENT TAXABLE INCOME.

AMT CREDIT FROM 1992	1,856
UTILIZED IN 1993	N/A-SRLY
UTILIZED IN 1994	(1,856)

CARRYFORWARD TO 1995	0
	=====

11/25/96

Talked with Anna Brasty on 11/25/96.
She thinks NOL was generated below
the-line. Leaving to staff's discretion.
Based on the annual reports filed for
the years 1992-1995, the utility has net
operating income, therefore, staff is inclined
to believe that the NOL should go below-the-line.
Connie McConkie agrees.

PROPOSED CIAC GROSS-UP REFUND SCHEDULE
 SUPPLEMENT TO THE CIAC REPORT
 LAKE GROVES UTILITIES, INC.
 DECEMBER 31, 1994

TOTAL TO BE REFUNDED

NAME OF CONTRIBUTOR

Titan U.S. 27, Inc.
 Condev Properties
 Weatherly 27, Inc.

TOTAL

AMOUNT OF
 ORIGINAL
 CONTRIBUTION

75,900
 92,189
 179,238

347,327

PERCENTAGE
 CONTRIBUTED

21.85%
 26.54%
 51.60%

100.00%

AMOUNT TO
 BE REFUNDED

1,219
 1,480
 2,878

5,577

* INTEREST TO BE CALCULATED THROUGH THE DATE OF ACTUAL REFUND ONCE THE REFUND AMOUNT HAS BEEN APPROVED.

SCHEDULE I
LAKE GROVES UTILITIES, INC.
PLANT ANALYSIS & ALLOCATION OF DEPRECIATION EXPENSE
FOR CIAC GROSS-UP RETENTION PURPOSES
DECEMBER 31, 1993 & 1994

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	1993	WATER	1994	1993	SEWER	1994	TOTAL WATER & SEWER
1) UTILITY PLANT IN SERVICE (excludes land, includes CWIP)							
2) AVERAGE UTILITY PLANT IN SERVICE	784,172	1,104,966	832,182	813,310			
3) ANNUAL TAX DEPRECIATION EXPENSE		845,089		772,731			
4) WEIGHTED AVERAGE USED & USEFUL %		53.523		48.950			
5) WEIGHTED AVERAGE NON-USED & USEFUL		31.13%		15.89%			
		66.87%		64.11%			
6) ABOVE THE LINE DEPRECIATION EXPENSE		100.00%		100.00%			
7) BELOW THE LINE DEPRECIATION EXPENSE		16,862		7,777			
		38,861		41,172			
8) TOTAL ANNUAL DEPRECIATION EXPENSE (TAX)		53,523		48,949			
				7,777			24,439
				41,172			78,033
				48,949			102,472

SCHEDULE I

SCHEDULE II
LAKE GROVES UTILITIES, INC.
RATE BASE SUMMARY & ALLOCATION OF INTEREST EXPENSE
FOR CIAC GROSS-UP RETENTION PURPOSES
DECEMBER 31, 1993 & 1994

G:\DATA\GUR1994\CIACREP4.WK1

	1993	WATER 1994	1993	SEWER 1994	TOTAL WATER & SEWER
1) RATE BASE PER CIAC REFUND PURPOSES	280,018	283,298	88,638	143,180	
2) AVERAGE RATE BASE PER CIAC REFUND PURPOSES		286,657		118,912	402,569
3) ANNUAL INTEREST EXPENSE AND AMORTIZATION OF LOAN FEES					
4) WEIGHTED COST OF DEBT CAPITAL		8.863		8.573	
		8.01%		8.01%	See Attached Sch. IV-A
5) ABOVE THE LINE INTEREST EXPENSE/LOAN FEES		22,965		9,286	32,251
6) BELOW THE LINE INTEREST EXPENSE/LOAN FEES		71,898		84,287	156,185
7) TOTAL ANNUAL INTEREST EXPENSE/LOAN FEES		94,863		93,573	188,436

SCHEDULE III
LAKE GROVES UTILITIES, INC.
CALCULATION OF INCREMENTAL TAX RATE
12/31/84

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1984	(A) PER TAX RETURN	(B) TAXABLE GAC	(C) EXCLUDING GAC	(D) TAX DIFFERENCE (A)-(C)
Florida Taxable Income (includes NOL of 21,789)				
Florida Tax	620,947	(627,881)	(6,634)	
Marginal State Tax Rate (FL tax / FL tax. income)	34,152		0	34,152
Federal Taxable Income (per tax return)	5.50%		0.00%	
Federal Tax	686,796		(6,634)	
Marginal Federal Tax Rate	199,510		0	199,510
Combined Federal & State Taxes	34.00%		0.00%	
Combined Federal & State Tax Rate	233,662		0	233,662
Incremental Federal & State Tax Rate	37.63%		0.00%	
				37.23% (D)/(B)

FEDERAL TAX FORMULA:

$$(0.15 * 50000) + (0.25 * 25000) + (0.34 * 25000) + ((TI - 100000) * 0.39)$$

SCHEDULE III

SCHEDULE IV
LAKE GROVES UTILITIES, INC.
CALCULATION OF WEIGHTED AVERAGE COST OF DEBT
DECEMBER 31, 1984

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LONG-TERM DEBT
LAKE HOLDING, INC.
LAKE HOLDING, INC.
GREATER

LT DEBT
12/31/83
(Annual Report
Page F-6)
1,867,590
280,000
180,000

2,287,590

LT DEBT
12/31/84
(Annual Report
Page F-6)
2,128,534
252,000
0

2,380,534

1983/1984
AVERAGE
LT DEBT
1,998,062
281,000
90,000

2,339,062

LONG-TERM DEBT
LAKE HOLDING, INC.
LAKE HOLDING, INC.
GREATER

1983/1984
AVERAGE
LT DEBT
1,998,062
281,000
90,000

2,339,062

PERCENT OF CAPITAL	ACTUAL INTEREST RATES
85.42%	8.14%
10.73%	8.00%
3.85%	5.28%
100.00%	

WEIGHTED AVERAGE RATE
8.25%
0.88%
0.20%
8.02%

SCHEDULE IV

SCHEDULE IV-A
LAKE GROVES UTILITIES, INC.
INTEREST EXPENSE - ABOVE & BELOW THE LINE
DECEMBER 31, 1994
G:\DATA\GUR1994\CIACREP4 WK1
1994

	Average	Specific Adjustment	Balance	Pre-rate Adjustment	Average Capital Supporting Rate base	Weight	Average Cost Rate	Weighted Cost
Common Stock								
Premium on Common Stock								
Retained Earnings								
Rescued stock								
Total Equity	(426,418)	426,418	0	0	0	0.000000		
Long-term debt	2,339,062	0	2,339,062	(1,483,126)	855,936	0.997288	0.080152	0.079
Customer deposits	8,380	0	8,380	(4,033)	2,327	0.002712	0.086301	0.000134
	1,917,004	426,418	2,345,422	(1,487,159)	858,263	1.000000		0.080115 (1)
								858,263 (2)
								88,756 (3)

- (1) Weighted Cost of Debt
(2) Average rate base
(3) Above the line interest expense & debt discount

Interest expense	175,828
Amortization of debt discount	12,510
Construction Period Interest	0
	188,438
Above the Line	88,756
Below the Line	119,677

Combined interest rate of 8% through April 24, 1994, and 6% from April 25, 1994 to December 31, 1994.

SCHEDULE IV-A

LAKE GROVES UTILITIES, INC.
 CALCULATION OF USED AND USEFUL % BASED ON AVERAGE ERC'S CONNECTED
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994

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	WATER	1991	1992	1993	1994
1)	ERCS CONNECTED	0	98	161	233
2)	AVERAGE ERCS	0	49	140	207
3)	PLANT USED	0.00%	10.61%	30.30%	31.13%
4)	PLANT NON-USED	100.00%	89.39%	69.70%	68.87%
5)	LINE ERCS	0	462	462	665
6)	LINES IN USE	0.00%	10.61%	30.30%	31.13%
7)	LINES NON-USED	100.00%	89.39%	69.70%	68.87%

LAKE GROVES UTILITIES, INC.
 CALCULATION OF NON-USED AND USEFUL PLANT FOR CIAC GROSS UP RETENTION PURPOSES
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994

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	WATER	1991	1992	1993	1994
1)	GROSS PLANT	11,480	577,206	654,238	614,434
2)	LESS CIAC PLANT	(63,854)	(160,088)	(213,619)	(432,216)
3)	TOTAL PLANT	(32,374)	427,108	440,619	182,219
4)	ACCUMULATED DEPRECIATION-PLANT	0	(11,251)	(33,689)	(57,748)
5)	ACCUMULATED AMORTIZATION	0	1,178	5,424	13,530
6)	NET PLANT	(32,374)	417,032	412,164	138,006
7)	NON-USED & USEFUL %	100.00%	89.39%	89.70%	88.87%
8)	TOTAL NON-USED & USEFUL PLANT	(32,374)	372,785	287,271	95,044
9)	TRANSMISSION & DISTRIBUTION LINES	0	129,934	129,934	491,532
10)	LESS CIAC LINES	(27,943)	0	0	(128,684)
11)	TOTAL LINES	(27,943)	129,934	129,934	362,848
12)	ACCUMULATED DEPRECIATION-LINES	0	(1,866)	(5,568)	(11,448)
13)	ACCUMULATED AMORTIZATION	0	0	0	0
14)	NET TRANSMISSION & DISTRIBUTION LINES	(27,943)	128,078	124,366	351,400
15)	NON-USED & USEFUL %	100.00%	89.39%	89.70%	88.87%
16)	TOTAL NON-USED & USEFUL LINES	(27,943)	114,689	86,583	242,008
17)	LAND	420634	420635	420635	420635
18)	NON-USED & USEFUL %	100.00%	89.39%	89.70%	88.87%
19)	TOTAL NON-USED & USEFUL LAND	420,634	376,008	293,183	289,691
20)	TOTAL NON-USED & USEFUL WATER	380,317	863,280	667,137	626,744

LAKE GROVES UTILITIES, INC.
 CALCULATION OF RATE BASE FOR CIAC GROSS RETENTION PURPOSES
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994

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	1991	1992	1993	1994
<u>WATER</u>				
1. UTILITY PLANT IN SERVICE	11,480	707,140	784,172	1,105,966
2. LAND	420,634	420,635	420,635	420,635
3. NON-USED & USEFUL PLANT	(380,317)	(863,280)	(667,137)	(626,744)
4. CONTRIBUTIONS IN AID OF CONSTRUCTION	(71,797)	(150,098)	(213,619)	(560,900)
5. ACCUMULATED DEPRECIATION	0	(13,107)	(39,457)	(69,196)
6. ACCUMULATED AMORTIZATION OF CIAC	0	1,175	5,424	13,535
7. TOTAL WATER RATE BASE	0	102,465	290,018	283,296

LAKE GROVES UTILITIES, INC.
 CALCULATION OF USED AND USEFUL % BASED ON AVERAGE ERC'S CONNECTED
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994

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SEWER		1991	1992	1993	1994
1)	GALLONS TREATED PER YEAR (pg. S-5)	0	678,826	2,635,000	4,349,000
2)	GALLONS ALLOWED PER DAY (pg. S-5)	0	75,000	75,000	75,000
3)	PLANT USED	0.00%	2.47%	9.63%	15.89%
4)	PLANT NON-USED	100.00%	97.53%	90.37%	84.11%
5)	LINE ERC'S	0	272	272	272
6)	LINES IN USE	0.00%	2.47%	9.63%	15.89%
7)	LINES NON-USED	100.00%	97.53%	90.37%	84.11%

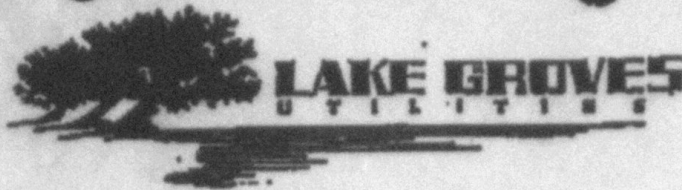
LAKE GROVES UTILITIES, INC.
 CALCULATION OF NON-USED AND USEFUL PLANT FOR CIAC GROSS UP RETENTION PURPOSES
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994
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SEWER				
	1991	1992	1993	1994
1) GROSS PLANT	13,384	188,838	414,884	402,597
2) LESS CIAC PLANT	(26,883)	(111,800)	(158,588)	(328,778)
3) TOTAL PLANT	(22,209)	87,236	255,276	72,819
4) ACCUMULATED DEPRECIATION-PLANT	0	(4,710)	(17,082)	(33,788)
5) ACCUMULATED AMORTIZATION	0	787	3,836	8,880
6) NET PLANT	(22,209)	83,313	242,032	48,897
7) NON-USED & USEFUL %	100.00%	87.53%	90.37%	84.11%
8) TOTAL NON-USED & USEFUL PLANT	(22,209)	81,253	218,735	41,129
9) COLLECTION SYSTEM	0	113,245	217,288	510,713
10) LESS CIAC LINES	(19,850)	0	0	(111,808)
11) TOTAL LINES	(19,850)	113,245	217,288	398,905
12) ACCUMULATED DEPRECIATION-LINES	0	(1,472)	(5,830)	(13,881)
13) ACCUMULATED AMORTIZATION	0	0	0	0
14) NET TRANSMISSION & DISTRIBUTION LINES	(19,850)	111,773	211,458	385,024
15) NON-USED & USEFUL %	100.00%	87.53%	90.37%	84.11%
16) TOTAL NON-USED & USEFUL LINES	(19,850)	109,008	191,104	323,888
17) LAND	487,371	487,370	487,370	487,370
18) NON-USED & USEFUL %	100.00%	87.53%	90.37%	84.11%
19) TOTAL NON-USED & USEFUL LAND	487,371	425,815	422,383	383,120
20) TOTAL NON-USED & USEFUL SEWER	425,512	648,077	832,222	758,105

LAKE GROVES UTILITIES, INC.
 CALCULATION OF RATE BASE FOR CIAC GROSS RETENTION PURPOSES
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994

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SEWER		1991	1992	1993	1994
1.	UTILITY PLANT IN SERVICE	13,364	312,081	632,152	913,310
2.	LAND	467,371	467,370	467,370	467,370
3.	NON-USED & USEFUL PLANT	(426,512)	(646,077)	(832,222)	(758,106)
4.	CONTRIBUTIONS IN AID OF CONSTRUCTION	(55,243)	(111,600)	(159,568)	(441,586)
5.	ACCUMULATED DEPRECIATION	0	(8,182)	(22,912)	(47,649)
6.	ACCUMULATED AMORTIZATION OF CIAC	0	787	3,838	9,846
7.	TOTAL SEWER RATE BASE	0	16,379	68,638	143,186



F A X T R A N S M I T T A L M E M O

TO: Florida Public Service Comm,

FAX #: 904 413 7020

ATTENTION: Jackie Gilchrest

COMMENTS: _____

NO. OF
PAGES

3

INCLUDING
COVER SHEET

FROM Gina Grasty
DATE 11/14/96



ONE: (407) 788-3600
FAX No: (407) 788-3518

LAKE GROVES UTILITIES, INC.
 ADDITIONAL AMOUNT TO BE SPLIT BETWEEN
 ABOVE THE LINE AND BELOW THE LINE
 PER ANALYSIS OF EXPENSES
 12/31/93

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WATER:

USED & USEFUL PERCENTAGES

30.30%

NONUSED & USEFUL PERCENTAGES

69.70%

SEWER: (BASED ON GALLONAGE)

USED & USEFUL PERCENTAGES

9.63%

NONUSED & USEFUL PERCENTAGES

90.37%

	TOTAL	ABOVE	BELOW	ACCOUNT NUMBER
LAKE GROVES				
WATER:				
REPAIR PARTS & MATERIALS	104	32	73	620.0A
REPAIR PARTS & MATERIALS	320	97	223	620.1A
LABORATORY SUPPLIES	169	51	117	620.1B
REPAIR PARTS & MATERIALS	833	192	441	620.2A
REPAIR PARTS & MATERIALS	489	148	341	620.4A
REPAIR PARTS & MATERIALS	209	63	145	620.6A
ENGINEERING & TECHNICAL	13	4	9	620.A1
EXTERNAL LAB FEES	277		277	631.1A
EXTERNAL LAB FEES	45	14	31	631.1B
ACCOUNTING & AUDITING	504	153	351	631.2B
LEGAL	2,085	832	1,453	632.8
LEGAL	478	145	333	633.8
EXTERNAL CONTRACT	1,985		1,985	633.8
PROFESSIONAL FEES	662	201	462	635.0A
EMERGENCY TELEPHONE LINE	221		221	657.8
EXTERNAL NON-CONTRACT	986	298	687	675.0F
EXTERNAL NON-CONTRACT	200	81	139	675.1A
COMPUTER SUPPLIES	90	27	63	675.6A
OFFICE SUPPLIES EXPENSE	48	15	33	675.7B
TELEPHONE	1,044	316	727	675.8C
TOTAL-WATER	1,137	344	792	675.8F
	11,697	2,782	8,905	
SEWER:				
REPAIR PARTS & MATERIALS	27	3	25	720.3A
REPAIR PARTS & MATERIALS	641	62	579	720.4A
REPAIR PARTS & MATERIALS	124	12	112	720.4B
REPAIR PARTS & MATERIALS	149	14	134	720.6A
ENGINEERING & TECHNICAL	1,424	137	1,287	731.4A
ENGINEERING & TECHNICAL	2,085	201	1,884	732.8
ACCOUNTING	198	19	179	733.8
LEGAL	2,254		2,254	733.8
LEGAL	221		221	757.8
PROFESSIONAL FEES	90	9	81	775.6A
TRUCK EXPENSE	48	5	43	775.7B
TRUCK EXPENSE	529	51	478	775.8C
EXTERNAL NON-CONTRACT	1,138	109	1,027	775.8F
TOTAL-SEWER	8,927	174	8,308	
GRAND TOTAL				
	20,624	2,956	17,211	

11/14/96

12:32

4077883518

SANLANDO UTIL

003

LAKE GROVES UTILITIES, INC.
 ADDITIONAL AMOUNT TO BE SPLIT BETWEEN
 ABOVE THE LINE AND BELOW THE LINE
 PER ANALYSIS OF EXPENSES
 12/31/94

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WATER:
 USED & USEFUL PERCENTAGES
 NONUSED & USEFUL PERCENTAGES

SEWER: (BASED ON GALLONAGE)
 USED & USEFUL PERCENTAGES
 NONUSED & USEFUL PERCENTAGES

31.13%
 68.87%

16.00%
 84.00%

TOTAL ABOVE BELOW ACCOUNT
 NUMBER

LAKE GROVES
 WATER:

REPAIR PARTS & MATERIALS
 REPAIR PARTS & MATERIALS
 REPAIR PARTS & MATERIALS
 REPAIR PARTS & MATERIALS
 REPAIR PARTS & MATERIALS
 ENGINEERING & TECHNICAL
 EXTERNAL LAB FEES
 ENGINEERING & TECHNICAL
 EXTERNAL LAB FEES
 ENGINEERING & TECHNICAL
 LEGAL
 LEGAL
 EXTERNAL CONTRACT
 TRUCK EXPENSE
 INSURANCE
 EMERGENCY TELEPHONE LINE
 EXTERNAL NON-CONTRACT
 TELEPHONE
 EXTERNAL NON-CONTRACT
 PROPERTY TAXES
 AMORTIZATION
 MANAGEMENT FEE

504	157	347	620.1A
3,525	1,097	2,428	620.2A
8	2	6	620.3A
123	38	85	620.4A
852	0	852	620.8A
111	35	77	620.A1
4,423	0	4,423	631.1A
178	55	121	631.1B
1,396	0	1,396	631.2A
4,641	1,413	3,127	631.2B
1,392	433	959	631.A1
10,554	0	10,554	633.8
283	82	181	633.8
734	228	505	635.0A
159	49	109	650.2
113	35	78	657.8
909	283	626	675.0F
155	48	107	675.6A
1,243	387	856	675.8F
250	78	172	675.A1
10,252	3,181	7,080	408.11
9,247	2,879	6,368	407.0
10,500	3,289	7,231	634.8
61,228	13,780	47,468	

TOTAL-WATER

SEWER:

REPAIR PARTS & MATERIALS
 REPAIR PARTS & MATERIALS
 LAB SUPPLIES
 REPAIR PARTS & MATERIALS
 REPAIR PARTS & MATERIALS
 ENGINEERING & TECHNICAL
 EXTERNAL LAB FEES
 LEGAL
 LEGAL
 TRUCK EXPENSE
 INSURANCE
 EXTERNAL NON-CONTRACT
 EXTERNAL NON-CONTRACT
 EXTERNAL NON-CONTRACT
 TELEPHONE
 PROPERTY TAXES
 AMORTIZATION

39	0	39	720.2A
795	127	668	720.4A
410	86	344	720.4B
158	25	133	720.5A
445	71	374	720.6A
1,398	223	1,173	731.2A
249	40	209	731.6B
283	47	221	733.8
7,752	1,211	8,511	733.8
159	25	133	750.2
113	18	95	757.8
298	48	251	776.2A
376	60	316	776.4A
155	25	130	776.6A
1,243	199	1,044	775.8F
10,252	1,640	8,611	408.11
9,247	1,480	7,767	407.0

MANAGEMENT FEE

TOTAL-SEWER

GRAND TOTAL

10.500

43,847

105,075

1.680

909

20,770

8,820

38,838

84,308

734.8

**CALCULATION OF CIAC GROSS-UP OVER/UNDER COLLECTION
SUPPLEMENT TO THE CIAC REPORT
LAKE GROVES UTILITIES, INC.
DECEMBER 31, 1993**

Revised

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DECEMBER 31, 1993

1. Above the Line Taxable Income
2. Less Taxable CIAC (excludes Meters)
3. Less Gross-up collected
4. Add first years depreciation on CIAC
5. Deduct interest on CIAC
- 6.
7. Adjusted income before CIAC and Gross-up
- 8.
9. Taxable CIAC
10. Less CIAC Ineligible for gross-up
- 11.
12. Taxable CIAC resulting in a tax liability
13. Less first years depreciation
- 14.
15. Net taxable CIAC
16. Incremental State and Federal Tax Rate
- 17.
18. Net Income Tax on CIAC
19. Less ITC Realized
- 20.
21. Net Income Tax
22. Expansion Factor for Gross-up Taxes
- 23.
24. Gross-up required to pay tax effect
25. Less Gross-up Collected
- 26.
27. (OVER) OR UNDER COLLECTION

**SUGGESTED
FORMAT**

168,465
(108,790)
(65,274)
2,124
(12)
(3,487)
108,790
0
105,303
(2,124)
103,179
37.63%
38,826
0
38,826
1.60333%
62,251
(65,274)
(3,023)
=====

NOTES

CIAC IS DETAILED AS FOLLOWS:

CIAC, EXCLUDING METERS	108,790
METERS	4,360
GROSS-UP	65,274
TOTAL TAXABLE CIAC AS REPORTED ON FORM 11	178,424
LESS METERS	4,360
LESS GROSS-UP	65,274
ADJUSTED LINE 2 AMOUNT	108,790
	=====

LAKE GROVES UTILITIES, INC.
CALCULATION OF ABOVE AND BELOW THE LINE TAXABLE INCOME
12/31/93

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ABOVE THE LINE OPERATIONS:
OPERATING REVENUES

Form 1120, Line 11	284,832	✓
LESS Below the Line Amounts:		
Interest Income	(12)	✓
Meter Income	(4,380)	✓
Total Above the Line Operating Revenue	280,480	

OPERATING EXPENSES

Form 1120, Line 27	309,836	
LESS Below the Line Amounts:		
Miscellaneous expenses on non-used & useful plant	(17,211)	
Depreciation expense on non-used & useful plant	(87,381)	
Interest Expense on non rate base debt	(133,238)	
Total Above the Line Operating Expenses	91,985	
Above the Line Taxable Income	188,485	

471,995
- 17,211 - Misc
- 87,381 - Depreciation
- 133,238 - Interest
= 4,158 - Taxes
- 197 - Other ✓

BELOW THE LINE OPERATIONS:

Interest Income	12
Meter Income	4,380
Total Below the Line Revenue	4,372
Miscellaneous expenses on non-used & useful plant	17,211
Depreciation expense on non-used & useful plant	87,381
Interest Expense on non rate base debt	133,238
Total Below the Line Expenses	217,841
Below the Line Taxable Income/(loss)	(213,469)
TAXABLE INCOME BEFORE NOL	(45,004)
NOL CARRYOVER USED	0
TAXABLE INCOME PER TAX RETURN	(45,004)

*** Includes CIAC:

CIAC INCOME - CASH
CIAC INCOME - METERS
CIAC GROSS-UP INCOME

Total CIAC Collected

	WATER	SEWER	TOTAL
	60,802	47,988	108,790
	4,380		4,380
	38,481	28,793	65,274
	101,843	78,781	179,424

3,533 X 30.30 = 107,049
3,533 X 0.453 = 1,590

SCHEDULE I
LAKE GROVES UTILITIES, INC.
PLANT ANALYSIS & ALLOCATION OF DEPRECIATION EXPENSE
FOR CIAC GROSS-UP RETENTION PURPOSES
DECEMBER 31, 1992 & 1993

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	1992	WATER		SEWER		TOTAL WATER & SEWER
		1992	1993	1992	1993	
1) UTILITY PLANT IN SERVICE	797,140		784,172	312,081	632,152	
2) AVERAGE UTILITY PLANT IN SERVICE			745,656		472,117	
3) ANNUAL TAX DEPRECIATION EXPENSE			50,565		35,572	
4) WEIGHTED AVERAGE USED & USEFUL %			30.30%		9.63%	
5) WEIGHTED AVERAGE NON-USED & USEFUL			99.70%		90.37%	
			100.00%		100.00%	
6) ABOVE THE LINE DEPRECIATION EXPENSE			15,321		3,425	18,746
7) BELOW THE LINE DEPRECIATION EXPENSE			35,244		32,147	67,391
8) TOTAL ANNUAL DEPRECIATION EXPENSE (TAX)			50,565		35,572	86,137

SCHEDULE I

SCHEDULE II
LAKE GROVES UTILITIES, INC.
RATE BASE SUMMARY & ALLOCATION OF INTEREST EXPENSE
FOR CIAC GROSS-UP RETENTION PURPOSES
DECEMBER 31, 1992 & 1993

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	1992	WATER		SEWER		TOTAL WATER & SEWER
		1992	1993	1992	1993	
1) RATE BASE PER CIAC REFUND PURPOSES	<u>102,485</u>		<u>290,018</u>	<u>18,379</u>	<u>68,838</u>	
2) AVERAGE RATE BASE PER CIAC REFUND PURPOSES		<u>188,242</u>		<u>52,508</u>		<u>240,751</u>
3) ANNUAL INTEREST EXPENSE AND AMORTIZATION OF LOAN FEES		<u>78,842</u>		<u>72,434</u>		
4) WEIGHTED COST OF DEBT CAPITAL		<u>8.37%</u>		<u>8.37%</u>	See Attached Sch. IV-	
5) ABOVE THE LINE INTEREST EXPENSE/LOAN FEES		<u>12,494</u>		<u>3,343</u>		<u>15,837</u>
6) BELOW THE LINE INTEREST EXPENSE/LOAN FEES		<u>64,148</u>		<u>69,091</u>		<u>133,239</u>
7) TOTAL ANNUAL INTEREST EXPENSE/LOAN FEES		<u>76,642</u>		<u>72,434</u>		<u>149,076</u>

SCHEDULE II

SCHEDULE III
LAKE GROVES UTILITIES, INC.
CALCULATION OF INCREMENTAL TAX RATE
12/31/93

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1993	(A) PER TAX RETURN	(B) TAXABLE CIAC	(C) EXCLUDING CIAC	(D) TAX DIFFERENCE (A)-(C)
Florida Taxable Income	(45,004)	(108,790)	(153,794)	
Florida Tax	0		0	0
Marginal State Tax Rate (FL tax / FL tax. income)	0.00%		0.00%	
Federal Taxable Income (per tax return)	(45,004)		(153,794)	
Federal Tax	0		0	0
Marginal Federal Tax Rate	0.00%		0.00%	
Combined Federal & State Taxes	0		0	0
Combined Federal & State Tax Rate	0.00%		0.00%	
Incremental Federal & State Tax Rate				0.00% (D)/(B)

FEDERAL TAX FORMULA: $(0.15 * 50000) + (0.25 * 25000) + (.34 * 25000) + ((TI - 100000) * 0.39)$

SCHEDULE IV
LAKE GROVES UTILITIES, INC.
CALCULATION OF WEIGHTED AVERAGE COST OF DEBT
DECEMBER 31, 1993

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LONG-TERM DEBT LAKE HOLDING, INC. LAKE HOLDING, INC. GREATER	LT DEBT 12/31/92 (Annual Report Page F-4)	LT DEBT 12/31/93 (Annual Report Page F-4)	1992/1993 AVERAGE LT DEBT
	1,018,250 250,000 867,950 2,154,200	1,867,590 250,000 180,004 2,297,594	1,441,920 250,000 533,977 2,225,897

LONG-TERM DEBT LAKE HOLDING, INC. LAKE HOLDING, INC. GREATER	1992/1993 AVERAGE LT DEBT	PERCENT OF CAPITAL	ACTUAL INTEREST RATES	WEIGHTED AVERAGE RATE
	1,441,920 250,000 533,977 2,225,897	64.78% 11.23% 23.99% 100.00%	7.00% 8.00% 3.88%	4.53% 0.90% 0.93% 6.36%

SCHEDULE IV-A
LAKE GROVES UTILITIES, INC.
INTEREST EXPENSE - ABOVE & BELOW THE LINE
DECEMBER 31, 1993
G:\DATA\GUR\CIACREP3.WK1
1993

	Average	Specific Adjustment	Balance	Pre-rate Adjustment	Average Capital Supporting Rate base	Weight	Average Cost Rate	Weighted Cost
Common Stock								
Premium on Common Stock								
Retained Earnings								
Rescued stock								
Total Equity	(267,236)	267,236	0	0	0	0.000000		
Long-term debt	2,225,897	0	2,225,897	(1,977,630)	248,267	0.998058	0.063635	0.063612
Customer deposits	4,330	0	4,330	(3,847)	483	0.001842	0.060000	0.000155
	1,942,969	267,236	2,230,227	(1,981,477)	248,750	1.000000		0.063687 (1)
								248,750 (2)
								15,837 (3)

(1) Weighted Cost of Debt
(2) Average rate base
(3) Above the line interest expense & debt discount

Interest expense	141,780
Amortization of debt discount	7,296
Construction Period Interest	0
	149,076
Above the Line	15,837
Below the Line	133,239

PROPOSED CIAC GROSS-UP REFUND SCHEDULE
 SUPPLEMENT TO THE CIAC REPORT
 LAKE GROVES UTILITIES, INC.
 DECEMBER 31, 1993

TOTAL TO BE REFUNDED

3,023 *

NAME OF CONTRIBUTOR

GREATER CONSTRUCTION CORPORATION

AMOUNT OF
 ORIGINAL
 CONTRIBUTION

65,274

PERCENTAGE
 CONTRIBUTED

100.00%

AMOUNT TO
 BE REFUNDED

3,023

* INTEREST TO BE CALCULATED THROUGH THE DATE OF ACTUAL REFUND ONCE THE REFUND AMOUNT HAS BEEN APPROVED.

LAKE GROVES UTILITIES, INC.
 CALCULATION OF USED AND USEFUL % AND ON AVERAGE ERC'S CONNECTED
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994

G:\DATA\LGUN93\CIACREP3.WK1

	WATER	1991	1992	1993	1994
1)	ERCS CONNECTED	0	98	181	233
2)	AVERAGE ERCS	0	49	140	207
3)	PLANT USED	0.00%	10.61%	30.30%	31.13%
4)	PLANT NON-USED	100.00%	89.39%	69.70%	68.87%
5)	LINE ERCS	0	462	462	665
6)	LINES IN USE	0.00%	10.61%	30.30%	31.13%
7)	LINES NON-USED	100.00%	89.39%	69.70%	68.87%

LAKE GROVES UTILITIES, INC.
 CALCULATION OF NON-USED AND USEFUL PLANT FOR CIAC GROSS UP RETENTION PURPOSES
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994

G:\DATA\GUI\83\CIACREP3.WK1

WATER		1991	1992	1993	1994
1)	GROSS PLANT	11,480	577,208	854,238	814,434
2)	LESS CIAC PLANT	(43,854)	(190,088)	(213,818)	(432,218)
3)	TOTAL PLANT	(32,374)	427,108	440,819	182,218
4)	ACCUMULATED DEPRECIATION-PLANT	0	(11,251)	(33,889)	(57,748)
5)	ACCUMULATED AMORTIZATION	0	1,175	5,424	13,535
6)	NET PLANT	(32,374)	417,032	412,154	138,005
7)	NON-USED & USEFUL %	100.00%	89.38%	89.70%	88.67%
8)	TOTAL NON-USED & USEFUL PLANT	(32,374)	372,785	287,271	85,044
9)	TRANSMISSION & DISTRIBUTION LINES	0	129,934	129,934	491,532
10)	LESS CIAC LINES	(27,943)	0	0	(128,684)
11)	TOTAL LINES	(27,943)	129,934	129,934	362,848
12)	ACCUMULATED DEPRECIATION-LINES	0	(1,858)	(5,588)	(11,448)
13)	ACCUMULATED AMORTIZATION	0	0	0	0
14)	NET TRANSMISSION & DISTRIBUTION LINES	(27,943)	128,078	124,386	351,400
15)	NON-USED & USEFUL %	100.00%	89.38%	89.70%	88.67%
16)	TOTAL NON-USED & USEFUL LINES	(27,943)	114,489	88,883	242,009
17)	LAND	420,634	420,635	420,635	420,635
18)	NON-USED & USEFUL %	100.00%	89.38%	89.70%	88.67%
19)	TOTAL NON-USED & USEFUL LAND	420,634	376,008	293,183	289,881
20)	TOTAL NON-USED & USEFUL WATER	380,317	863,280	867,137	828,744

LAKE GROVES UTILITIES, INC.
 CALCULATION OF RATE BASE FOR CIAC GROSS RETENTION PURPOSES
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994
 G:\DATA\GUI\93\CIACREP3.WK1

WATER		1991	1992	1993	1994
1.	UTILITY PLANT IN SERVICE (includes CWIP)	11,480	707,140	784,172	1,105,996
2.	LAND	420,634	420,635	420,635	420,635
3.	NON-USED & USEFUL PLANT	(380,317)	(883,280)	(887,137)	(826,744)
4.	CONTRIBUTIONS IN AID OF CONSTRUCTION	(71,797)	(150,098)	(213,619)	(560,900)
5.	ACCUMULATED DEPRECIATION	0	(13,107)	(39,457)	(69,196)
6.	ACCUMULATED AMORTIZATION OF CIAC	0	1,175	5,424	13,535
7.	TOTAL WATER RATE BASE	0	102,465	290,018	283,296

LAKE GROVES UTILITIES, INC.
 CALCULATION OF USED AND USEFUL % BASED ON AVERAGE ERC'S CONNECTED
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994
 G:\DATA\GUI\93\CIACREP3.WK1

Revised

SEWER		1991	1992	1993	1994
1)	GALLONS TREATED PER YEAR (pg. 8-5)	0	678,828	2,635,000	4,349,000
2)	GALLONS ALLOWED PER DAY (pg. 8-5)	0	75,000	75,000	75,000
3)	PLANT USED	0.00%	2.47%	9.63%	15.89%
4)	PLANT NON-USED	100.00%	97.53%	90.37%	84.11%
5)	LINE ERCS	0	272	272	272
6)	LINES IN USE	0.00%	2.47%	9.63%	15.89%
7)	LINES NON-USED	100.00%	97.53%	90.37%	84.11%

LAKE GROVES UTILITIES, INC.
 CALCULATION OF NON-USED AND USEFUL PLANT FOR CIAC GROSS UP RETENTION PURPOSES
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994
 Q:\DATA\GUR\93\CIACREP3.WK1

SEWER					
	1991	1992	1993	1994	
1) GROSS PLANT	13,384	186,836	414,864	402,597	
2) LESS CIAC PLANT	(35,583)	(111,800)	(158,588)	(328,778)	
3) TOTAL PLANT	(22,209)	87,236	256,276	72,819	
4) ACCUMULATED DEPRECIATION-PLANT	0	(4,710)	(17,082)	(33,768)	
5) ACCUMULATED AMORTIZATION	0	787	3,638	9,848	
6) NET PLANT	(22,209)	83,313	242,032	48,897	
7) NON-USED & USEFUL %	100.00%	87.53%	90.37%	84.11%	
8) TOTAL NON-USED & USEFUL PLANT	(22,209)	81,283	218,735	41,129	
9) COLLECTION SYSTEM	0	113,245	217,288	510,713	
10) LESS CIAC LINES	(19,850)	0	0	(111,808)	
11) TOTAL LINES	(19,850)	113,245	217,288	398,905	
12) ACCUMULATED DEPRECIATION-LINES	0	(1,472)	(5,830)	(13,881)	
13) ACCUMULATED AMORTIZATION	0	0	0	0	
14) NET TRANSMISSION & DISTRIBUTION LINES	(19,850)	111,773	211,458	385,024	
15) NON-USED & USEFUL %	100.00%	87.53%	90.37%	84.11%	
16) TOTAL NON-USED & USEFUL LINES	(19,850)	109,009	181,104	323,856	
17) LAND	487,371	487,370	487,370	487,370	
18) NON-USED & USEFUL %	100.00%	87.53%	90.37%	84.11%	
19) TOTAL NON-USED & USEFUL LAND	487,371	455,815	422,383	383,120	
20) TOTAL NON-USED & USEFUL SEWER	425,512	848,077	832,222	758,105	

LAKE GROVES UTILITIES, INC.
 CALCULATION OF RATE BASE FOR CIAC GROSS RETENTION PURPOSES
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993 AND 1994
 G:\DATA\QUIB3\CIACREP3.WK1

SEWER		1991	1992	1993	1994
1.	UTILITY PLANT IN SERVICE (includes CWIP)	13,384	312,081	632,152	913,310
2.	LAND	467,371	467,370	467,370	467,370
3.	NON-USED & USEFUL PLANT	(425,812)	(646,077)	(832,222)	(756,106)
4.	CONTRIBUTIONS IN AID OF CONSTRUCTION	(55,243)	(111,800)	(159,588)	(441,588)
5.	ACCUMULATED DEPRECIATION	0	(6,182)	(22,912)	(47,640)
6.	ACCUMULATED AMORTIZATION OF CIAC	0	767	3,838	9,846
7.	TOTAL SEWER RATE BASE	0	16,378	88,630	143,186

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



Jackie
DIVISION OF WATER &
WASTEWATER
CHARLES HILL
DIRECTOR
(904) 413-6900

Public Service Commission

February 20, 1996

Ms. Gina Grasty
Lake Groves, Utilities, Inc.
P.O. Box 915505
Longwood, FL 32791

Dear Ms. Grasty:

Re: 1993 and 1994 CIAC Reports for Lake Groves Utilities, Inc.

We have reviewed the CIAC Reports and the Supplemental Schedules of Lake Groves Utilities, Inc. A copy of our preliminary analysis of the refund calculation is attached. As explained below, we have made several adjustments to Adjusted Income Before CIAC and Gross-up.

For 1993, the utility shows (\$46,267) as Adjusted Income before CIAC and Gross-up. Staff adjusted this amount as follows: The utility shows \$264,844 as Above the Line Operating Revenue. This amount erroneously includes Interest Income twice, therefore, Operating Revenue has been reduced by \$12 to reflect the correct amount for Above the Line Operating Revenue. Also, Above the Line Operating Revenue has been reduced by \$4,360 to reflect Meters as Below The Line Operating Revenue. Based on these adjustments, Above the Line Operating Revenue is \$260,472 and Above the Line Taxable Income is \$121,313. Adjusted Income Before CIAC and Gross-up is (\$50,639), Taxable CIAC resulting in a tax liability is \$58,151 and Net Taxable CIAC is \$56,027 per staff's calculation.

The utility reported \$60,399 as Net Taxable CIAC, however, it did not calculate any income tax on this amount because Lake Groves has indicated that it did not have any taxable income in 1993. The utility has indicated that since it reported a loss of \$45,004 for 1993, the entire amount of gross-up it collected in 1993, or a refund of \$65,274 (excluding interest) is due to its customers. Staff disagrees with the utility's position. While it is true, the utility may not have taxable income on a non-regulated basis, the utility does have taxable income on a regulated basis, therefore, we have calculated the income tax associated with the Taxable CIAC. Per staff's calculation, Net Taxable CIAC is \$56,027.

Letter to Ms. Grasty
February 20, 1996
Page Two

the associated Income Tax is \$21,083, and the Gross-up required to pay the tax effect is \$33,803. As a result, for 1993, the utility should refund \$31,471 (excluding interest) to its customers.

For 1994, the utility shows (\$149,386) as Adjusted Income before CIAC and Gross-up. Staff adjusted this amount as follows: Above the Line Taxable Income has been reduced by \$3,484 to reflect Meters as Below The Line Income. Interest Income has been increased by \$1,407, to reflect the amount earned on the Gross-up Escrow Account as Above the Line Income. Based on these adjustments, Adjusted Income Before CIAC and Gross-up is (\$163,974), Taxable CIAC resulting in a tax liability is \$463,607, and Net Taxable CIAC is \$429,584 per staff's calculation. Pursuant to Commission Order No. 23541, utilities are required to offset CIAC income against their NOLs, therefore, Net Taxable CIAC has been adjusted accordingly. Based on the adjustments above, for 1994, the utility should refund \$40,708 (excluding interest) to its customers.

If the utility disagrees with staff's calculations, alternative or corrected amounts along with supporting documentation should be provided no later than March 29, 1996.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Jackie Gilchrist

Jackie Gilchrist
Regulatory Analyst

Enclosures

cc: Division of Water and Wastewater (Hill)
Division of Auditing and Financial Analysis (Causseaux)

Lake Groves Utilities, Inc.

STAFF CALCULATED

GROSS-UP REFUND

SOURCE: (Line references are from CIAC Reports)

	1993	1994
1 Form 1120, Line 30 (Line 15)	\$ 121,313	\$ 752,650
2 Less CIAC (Line 7)	(108,790)	(627,581)
3 Less Gross-up collected (Line 19)	(65,274)	(299,890)
4 Add First Year's Depr on CIAC (Line 8)	2,124	12,254
5 Add/Less Other Effects (Lines 20 & 21)	(12)	(1,407)
6		
7 Adjusted Income Before CIAC and Gross-up	\$ (50,639)	\$ (163,974)
8		
9 Taxable CIAC (Line 7)	\$ 108,790	\$ 627,581
10 Less first years depr. (Line 8)	\$ (2,124)	\$ (12,254)
11		
12 Adjusted Income After CIAC	\$ 56,027	\$ 451,353
13 Less: NOL Carry Forward	\$ 0	\$ (21,769)
14		
15 Net Taxable CIAC	\$ 56,027	\$ 429,584
16 Combined Marginal state & federal tax rates	37.63%	37.63%
17		
18 Net Income tax on CIAC	\$ 21,083	\$ 161,652
19 Less ITC Realized	0	0
20		
21 Net Income Tax	\$ 21,083	\$ 161,652
22 Expansion Factor for gross-up taxes	1.6033349	1.6033349
23		
24 Gross-up Required to pay tax effect	\$ 33,803	\$ 259,182
25 Less CIAC Gross-up collected (Line 19)	(65,274)	(299,890)
26		
27 (OVER) OR UNDER COLLECTION	\$ (31,471)	\$ (40,708)
28		
29		
30 TOTAL YEARLY REFUND	\$ (31,471)	\$ (40,708)
31		
32		
33 PROPOSED REFUND (excluding interest)	(72,179)	
34		