

DOCKET NO. 96-1152-50

REQUEST TO ESTABLISH DOCKET

Date September 19, 1996

- 1. Division Name/Staff Name Division of Water and Wastewater/Johnson
- 2. OPR Cheryl Johnson
- 3. OCR \_\_\_\_\_
- 4. Suggested Docket Title Application for 1996 Disposition of Contribution In Aid of Construction

5. Suggested Docket Mailing List (attach separate sheet if necessary)

A. Parties (Provide names of regulated companies or use abbreviation from list below if Parties should include all regulated companies in one or more industries; provide names and addresses of nonregulated companies; provide names, addresses, and affiliation (i.e., attorney, company liaison officer, or customer) of individuals.)

Hudson Utilities \_\_\_\_\_

16334 Dixie Highway \_\_\_\_\_

Hudson, FL 34667-1134 \_\_\_\_\_

Attention: Robert Berman, President \_\_\_\_\_

B. Interested Persons/Companies (Provide names, complete mailing addresses, and affiliation. Use abbreviation from list below if interested persons should include all regulated companies in one or more industries.)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

REGULATED INDUSTRIES

Investor-Owned Electrics (EI)	Water Utilities (MU)
Electric Cooperatives (EC)	Local Exchange Telephone Co. (TL)
Municipal Electrics (EM)	Interexchange Telephone Co. (TI)
Gas Utilities (GU)	Coin-Operated Telephone Co. (TC)
Wastewater Utilities (SU)	Shared Tenant Telephone Co. (TS)
	Alternate Access Vendors (TA)

6. Check One:

- Documentation attached.
- Documentation will be provided with recommendation.

# *Cronin, Jackson, Nixon & Wilson*

CERTIFIED PUBLIC ACCOUNTANTS, P.A.

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October 24, 1994

Officers and Directors  
Hudson Bay Company

As requested, we have prepared the accompanying Special Report of Hudson Bay Company, consisting of Schedules No. 1 through No. 5. This report is intended solely for use in fulfilling certain reporting requirements related to collection of tax impact charges on contributions in aid of construction, for the year ended December 31, 1993, to be filed with the Florida Public Service Commission. We have not audited or reviewed this Special Report and express no opinion or any other form of assurance on it.

*Cronin, Jackson, Nixon & Wilson*

CRONIN, JACKSON, NIXON & WILSON

Hudson Bay Company  
 Schedule of Gross-up Refund  
 For the Taxable Year Ended December 31, 1993

Line  
No.

1	Taxable CIAC (Schedule No. 2)	\$ 87,000
2	Less: First year's depreciation	<u>(3,491)</u>
3	Net taxable CIAC	83,509
4	Effective federal and state tax rate	<u>37.63%</u>
5	Net income tax on CIAC	31,424
6	Expansion factor for gross-up taxes	<u>1,6033</u>
7	Gross-up required to pay tax effect	50,382
8	Less: CIAC gross-up collected (Schedule No. 2)	<u>(52,200)</u>
9	Excess gross-up collected (1)	<u>\$ 1,818</u>

10 Note (1): Because of the immaterial amount of excess gross-up  
 11 collected, Hudson Bay Company proposes to book this amount as CIAC  
 12 instead of making a refund. The cost of a refund would likely  
 13 exceed the amount of refund, since gross-up was collected from 87  
 14 customers. In addition, certain customers requested, and the  
 15 Company agreed, to let them pay the service availability charge and  
 16 gross-up over a period of one to three years. A refund would  
 17 require time consuming calculations of the credits to those  
 18 customer's receivable balances.

Hudson Bay Company  
Above and Below the Line Taxable Income  
For the Year Ended December 31, 1993

Line  
No.

1	<u>Above the line taxable income</u>	
2	Gross receipts/sales (Line 1c)	\$ 427,722
3	Deductions:	
4	Rents (Line 16)	7,392
5	Taxes (Line 17)	40,838
6	Interest (Line 18 and Schedule No. 3)	25,041
7	Depreciation, net of CIAC amortization	
8	(Line 21b and Schedule No. 4)	49,405
9	Other deductions (Line 26):	
10	Purchased power	8,038
11	Materials and supplies	4,183
12	Purchased sewage treatment	132,293
13	Contractual services	109,812
14	Transportation	7,862
15	Insurance	2,558
16	Miscellaneous	16,605
17		<u>404,027</u>
18	Above the line taxable income (loss) before CIAC	<u>23,695</u>
19	CIAC (Line 10) (Note 2)	87,000
20	Gross-up (Line 10)	52,200
21		<u>139,200</u>
22	Total above the line taxable loss	<u>162,895</u>
23	<u>Below the line taxable income (loss)</u>	
24	Income:	
25	Interest (Line 5)	1,374
26	CIAC - collection prior to gross-up	
27	authorization (Line 10)	77,638
28	Customer revenue (Line 10) (Note 1)	27,540
29		<u>106,552</u>
30	Expense:	
31	Interest (Line 18, Schedule No. 3)	34,087
32	Below the line depreciation, net of CIAC	
33	amortization (Line 21b and Schedule No. 4)	(53,382)
34	Prior period adjustment for contractual	
35	services (Line 26)	127,891
36	CIAC amortization expense (Line 26)	1,779
37	Amortization - bond issuance (Line 26)	85,418
38	Amortized loan costs (Line 26)	26,017
39	Non-utility expense (Line 26)	1,350
40	Write-off uncollectible CIAC - Club Wildwood	
41	(Line 26)	65,260
42		<u>288,420</u>
43	Total below the line taxable loss	<u>(181,868)</u>
44	Total tax return loss	<u>\$ (18,973)</u>

Hudson Bay Company  
Above and Below the Line Taxable Income  
For the Year Ended December 31, 1993

Line  
No.

1	Notes: (1) This was a prior period adjustment to correct customer	
2	accounts receivable.	
3	(2) CIAC on which gross-up was collected	\$ 87,000
4	CIAC received prior to gross-up	
5	authorization	<u>77,638</u>
6	Total CIAC collected (Line 10)	<u>\$164,638</u>

Hudson Bay Company  
Above and Below the Line Interest Expense  
Year Ended December 31, 1993

Line  
No.

1	I. <u>Interest expense</u>	
2	Total long-term debt	<u>\$1,201,988</u>
3	Rate base (Schedule No. 4)	<u>\$ 509,087</u>
4	Debt in excess of rate base	<u>\$ 692,911</u>
5	Percentage of debt in excess of rate base	57.65%
6	Total interest expense	<u>\$ 59,128</u>
7	Below the line interest expense	34,087
8	Above the line interest expense	<u>25,041</u>
9	Total interest expense	<u>\$ 59,128</u>

Hudson Bay Company  
 Above and Below the Line Depreciation and Amortization of CIAC Expense  
 Year Ended December 31, 1993

Line  
 No.

1	II. <u>Depreciation and CIAC amortization</u>	
2	Depreciation expense on Line 21(b) is a net amount adjusted	
3	for certain prior period items, as follows:	
4	Total depreciation expense	\$119,334
5	Prior period expense adjustment made	
6	in the current year	<u>(95,610)</u>
7	Net depreciation expense	<u>\$ 23,724</u>
8	CIAC amortization (credit) was shown as revenue on Line 10	
9	(see supporting tax schedule) to be consistent with	
10	treatment on prior tax returns. Such amortization consisted	
11	of \$7,705 for 1993 and \$19,996 related to prior periods. We	
12	have included CIAC amortization as a reduction to	
13	depreciation expense, consistent with the regulatory methods	
14	used by the PSC. As a result, net expense is as follows:	
15	Net depreciation (Line 21(b))	\$ 23,724
16	CIAC amortization (Line 10)	<u>(27,701)</u>
17	Net expense (income)	<u>\$ (3,977)</u>
18	For purposes of this report, the prior period items are	
19	classified below the line.	
20	<u>Above the line</u>	
21	Gross depreciation per above	\$ 119,334
22	1993 CIAC amortization of pre-1987 CIAC	
23	assets (Line 10)	(7,705)
24	1993 depreciation of post-1987 CIAC assets	
25	(Note 1)	<u>(22,691)</u>
26	Net depreciation on invested property	88,938
27	Percent used and useful (Schedule No. 5)	<u>55.55%</u>
28	Above the line depreciation expense	<u>49,405</u>
29	<u>Below the line</u>	
30	Non-used and useful depreciation on invested	
31	property (\$88,938 - \$49,405)	39,533
32	Prior period expense adjustment	(95,610)
33	Adjustment for prior period amortization of	
34	pre-1987 CIAC (Line 10)	(19,996)
35	1993 depreciation of post-1987 CIAC assets	
36	(Note 1)	<u>22,691</u>
37	Below the line depreciation expense (income)	<u>51,228</u>
38	Total net depreciation expense (income)	<u>\$ (3,977)</u>

Hudson Bay Company

Above and Below the Line Depreciation and Amortization of CIAC Expense  
Year Ended December 31, 1993

Line  
No.

1 Note (1): Depreciation on prior years taxable CIAC is classified  
2 below the line, since the tax benefits of depreciation on  
3 contributed assets acquired during the time the Company was not  
4 authorized to collect gross-up belong to the Company. The tax  
5 benefits of depreciation on contributed assets with authorized  
6 gross-up, except for first year's depreciation, will be returned to  
7 the rate payers through the normalization process.

Hudson Bay Company  
 Schedule of Rate Base  
 For the Year Ended December 31, 1993

Line  
No.

1	Plant in service	\$2,143,362
2	Non-used and useful plant (1)	(821,862)
3	Accumulated depreciation	(277,475)
4	CIAC	(711,088)
5	Accumulated amortization of CIAC	<u>176,150</u>
6	Rate base	<u>\$ 509,087</u>
7	Note (1): Non-used and useful plant is calculated as follows:	
8	Total active connections	<u>606</u>
9	Divide by total developed connections	<u>1,091</u>
10	Percent used and useful	<u>55.55%</u>
11	Percent non-used and useful	<u>44.45%</u>
12	Collection sewers - force	\$ 593,022
13	Collection sewers - gravity	999,141
14	Services	66,865
15	Flow measuring devices	46,178
16	Receiving wells (lift stations)	214,729
17	Pumping equipment	179,734
18	Other plant and miscellaneous	<u>5,960</u>
19		2,105,629
20	Percent non-used and useful	<u>.4445</u>
21	Amount non-used and useful	<u>935,952</u>
22	Accumulated depreciation on above plant accounts	(256,670)
23	Percent non-used and useful	<u>.4445</u>
24		<u>(114,090)</u>
25	Net non-used and useful plant	<u>\$ 821,862</u>

Hudson Bay Company  
Schedule of CIAC Gross-up Escrow Account Activity  
For the Taxable Year Ended December 31, 1993

Line  
No.

1	Balance, January 1, 1993	\$ <u>0</u>
2	CIAC gross-up collected	35,049
3	Interest earned	<u>140</u>
4	Balance, December 31, 1993	<u>\$35,189</u>
5	Note: The difference between the gross-up collected and deposited in	
6	the escrow account and that shown on Schedule No. 2 represents	
7	amounts accrued as receivables from customers. See Note (1) on	
8	Schedule No. 1.	

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October 31, 1995

Officers and Directors  
Hudson Bay Company

As requested, we have prepared the accompanying Special Report of Hudson Bay Company, consisting of Schedules No. 1 through No. 6. This report is intended solely for use in fulfilling certain reporting requirements related to collection of tax impact charges on contributions in aid of construction, for the year ended December 31, 1994, to be filed with the Florida Public Service Commission. We have not audited or reviewed this Special Report and express no opinion or any other form of assurance on it.

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Hudson Bay Company  
Schedule of Gross-up Refund  
For the Taxable Year Ended December 31, 1994

Line  
No.

1	Taxable CIAC (Schedule No. 2)	\$ 396,000
2	Less: First year's depreciation	(18,338)
3	Above the line taxable loss	<u>(90,599)</u>
4	Net taxable CIAC	287,063
5	Effective federal and state tax rate	<u>37.63%</u>
6	Net income tax on CIAC	108,022
7	Expansion factor for gross-up taxes	<u>1.6033</u>
8	Gross-up required to pay tax effect	173,192
9	Less: CIAC gross-up collected (Schedule No. 2)	<u>(216,200)</u>
10	Excess gross-up collected (1)	<u>\$ (43,008)</u>
11	Note (1): The Utility proposes to refund, on a prorata basis, the	
12	excess of gross-up collections shown above, plus accrued interest to	
13	the date of refund.	

Hudson Bay Company  
 Above and Below the Line Taxable Income  
 For the Year Ended December 31, 1994

Line  
 No.

1	<u>Above the line taxable income</u>	
2	Gross receipts/sales (Line 1c)	\$ 495,313
3	Deductions:	
4	Rents (Line 16)	8,093
5	Taxes (Line 17)	55,267
6	Interest (Line 18 and Schedule No. 3)	116,459
7	Depreciation, net of CIAC amortization	
8	(Schedule No. 4)	116,617
9	Other deductions (Line 26) - See page 2 of	
10	this schedule	<u>289,476</u>
11		<u>585,912</u>
12	Above the line taxable loss before CIAC	<u>(90,599)</u>
13	CIAC (Line 10)	396,000
14	Gross-up (Line 10)	<u>216,200</u>
15		<u>612,200</u>
16	Total above the line taxable income	<u>521,601</u>
17	<u>Below the line taxable income (loss)</u>	
18	Income:	
19	Interest (Line 5)	7,137
20	Non-refundable CIAC collections (Line 10)	<u>169</u>
21		<u>7,306</u>
22	Expense:	
23	Taxes (Line 17) - Non-used and useful property	
24	taxes and state income taxes	18,880
25	Interest (Line 18, Schedule No. 3)	48,381
26	Below the line depreciation, net of CIAC	
27	amortization (Line 21b and Schedule No. 4)	70,968
28	Non-utility expense (Line 26) - See page 2 of	
29	this schedule	26,283
30	Amortized loan costs (Line 26)	1,058
31	Non-utility expense (Line 26)	3,914
32	Write-off prior years' uncollectible accounts	<u>19,196</u>
33		<u>188,680</u>
34	Total below the line taxable loss	<u>(181,374)</u>
35	Total tax return income	<u>\$ 340,227</u>

Hudson Bay Company  
 Above and Below the Line Taxable Income  
 For the Year Ended December 31, 1994

<u>Line No.</u>	<u>Total Expense</u>	<u>Below the Line Adjustment</u>	<u>Adjusted Above the Line</u>
1	Other deductions (Line 26):		
2	\$ 7,629		\$ 7,629
3	11,083	\$ 5,600 (A)	5,483
4	165,424		165,424
5	115,388	20,683 (B)	94,705
6	1,648		1,648
7	2,840		2,840
8	<u>11,747</u>	<u>          </u>	<u>11,747</u>
9	<u>\$315,759</u>	<u>\$ 26,283</u>	<u>\$289,476</u>
10	Adjustments:		
11	(A) Computer software purchased for 1995 use		
12	that should be capitalized		<u>\$ 5,600</u>
13	(B) <u>Contractual services</u>		
14	Consulting costs related to refinancing		
15	existed debt		\$ 8,070
16	Charges for accounting services performed		
17	and completed in a prior year		3,000
18	Legal fees for non-utility matters and services		
19	performed in a prior year		<u>9,613</u>
20	Total contractual services adjustment		<u>\$ 20,683</u>

Hudson Bay Company  
Above and Below the Line Interest Expense  
For the Year Ended December 31, 1994

Line  
No.

1	<u>Interest expense</u>	
2	Total long-term debt	<u>\$2,054,651</u>
3	Rate base (Schedule No. 4)	<u>\$1,451,574</u>
4	Debt in excess of rate base	<u>\$ 603,077</u>
5	Percentage of debt in excess of rate base	29.35%
6	Total interest expense	<u>\$ 164,840</u>
7	Below the line interest expense	48,381
8	Above the line interest expense	<u>116,459</u>
9	Total interest expense	<u>\$ 164,840</u>

**Hudson Bay Company**  
**Above and Below the Line Depreciation**  
**For the Year Ended December 31, 1994**

**Line**  
**No.**

1	<b><u>Depreciation</u></b>	
2	Total tax depreciation expense (Line 21b)	\$187,585
3	Depreciation on prior years post-1987 CIAC property (1)	<u>(46,060)</u>
4	Net depreciation on invested property	141,525
5	Percent used and useful (Schedule No. 5)	<u>82.40%</u>
6	Above the line depreciation expense	<u>\$116,617</u>
7	Below the line depreciation expense	<u>\$ 70,968</u>
8	Total tax depreciation expense	<u>\$187,585</u>

9 Note (1): Depreciation on prior years taxable CIAC is classified below  
10 the line, since the tax benefits of depreciation on contributed  
11 assets acquired during the time the Company was not authorized to  
12 collect gross-up belong to the Company. The tax benefits of  
13 depreciation on contributed assets with authorized gross-up, except  
14 for first year's depreciation, will be returned to the rate payers  
15 through the normalization process.

Hudson Bay Company  
 Schedule of Rate Base  
 For the Year Ended December 31, 1994

Line  
 No.

1	Plant in service	\$ 3,214,845
2	Non-used and useful plant (1)	(496,968)
3	Accumulated depreciation	(364,926)
4	CIAC	(1,107,257)
5	Accumulated amortization of CIAC	<u>205,880</u>
6	Rate base	<u>\$ 1,451,574</u>
7	Note (1): Non-used and useful plant is calculated as follows:	
8	Total active connections	<u>899</u>
9	Divide by total developed connections	<u>1.091</u>
10	Percent used and useful	<u>82.40%</u>
11	Percent non-used and useful	<u>17.60%</u>
12	Collection sewers - force	\$ 721,429
13	Collection sewers - gravity	1,517,763
14	Services	325,088
15	Flow measuring devices	122,254
16	Receiving wells (lift stations)	268,069
17	Pumping equipment	205,559
18	Other plant and miscellaneous	<u>6,298</u>
19		3,166,460
20	Percent non-used and useful	<u>17.60%</u>
21	Amount non-used and useful	<u>557,297</u>
22	Accumulated depreciation on above plant accounts	(342,776)
23	Percent non-used and useful	<u>17.60%</u>
24		<u>(60,329)</u>
25	Net non-used and useful plant	<u>\$ 496,968</u>

Hudson Bay Company  
Schedule of CIAC Gross-up Escrow Account Activity  
For the Taxable Year Ended December 31, 1994

Line  
No.

1	Balance, January 1, 1994	<u>\$ 35,189</u>
2	CIAC gross-up collected for 1994	216,200
3	Notes receivable collected - prior year CIAC gross-up	106,797
4	Interest earned	<u>4,324</u>
5	Balance, December 31, 1994	<u>\$362,510</u>