

DOCKET NO. 961237-SU

REQUEST TO ESTABLISH DOCKET

Date 10/10/96

1. Division Name/Staff Name Water and Wastewater/Cheryl Johnson
2. OPR Cheryl Johnson
3. OCR _____
4. Suggested Docket Title Disposition of Contribution-Aid-Of-Construction Gross-up Funds Collected By Forest Utilities, Inc.

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.)

<u>F. Marshall Deterding, Esq.</u>	<u>Mr. Robert C. Nixon, CPA</u>
<u>Ross, Sundstrom & Bentley, P.A.</u>	<u>Cronin, Jackson, Nixon, and Wilson, CPA's</u>
<u>2548 Blairstone Pines Drive</u>	<u>2560 Gulf-to-Bay Blvd, Suite 200</u>
<u>Tallahassee, Florida 32301</u>	<u>Clearwater, Florida 34625</u>
<u>Forest Utilities, Inc.</u>	_____
<u>6385 Presidential Court S.W.</u>	_____
<u>Fort Myers, Florida 33919</u>	_____

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 Electric (EI)	Water Utilities (WU)
Electric Cooperatives (EC)	Local Exchange Telephone Cos. (TL)
Municipal Electric (EM)	Interexchange Telephone Cos. (TI)
Gas Utilities (GU)	Coin-Operated Telephone Cos. (TC)
Wastewater Utilities (WU)	Shared Tenant Telephone Cos. (TS)
	Alternate Access Vendors (TA)

6. Check One:

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

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY
A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301
(904) 877-6888

ROBERT A. ANTIFA
CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS
ROBERT M. C. ROSE, P.A.
WILLIAM E. SUNDSTROM, P.A.
DAINE D. TREMOR
JOHN L. WHARTON

JOHN R. WOODRASKA
SPECIAL CONSULTANT
NOT A MEMBER OF THE FLORIDA BAR

MAILING ADDRESS
POST OFFICE BOX 1487
TALLAHASSEE, FLORIDA 32302-1487
TELESCOPIER (904) 886-4028

February 10, 1992

RECEIVED

FEB 11 1992

Fa. Public Service Commission
Division of Water and Sewer

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: PSC Docket No. 901012-SU;
Forest Utilities, Inc.,
Report on calendar year 1990 collection of CIAC
gross-up and proposed disposition of gross-up funds.
Our File No. 25052.03

Dear Mr. Tribble:

Attached in accordance with the requirements of Orders No. 16971, No. 23541, and No. 24129, are the schedules depicting the calculation of the appropriate disposition of previously collected gross-up monies for the tax year ended December 31, 1990, for Forest Utilities, Inc. Based upon the information and conclusions contained in the attached schedules prepared by the accounting firm of Cronin, Jackson, Nixon, and Wilson for that tax year, a refund of \$2,030 of gross-up monies collected during 1990 is appropriate, plus interest earned, thereon of \$129.

We believe that after review of these schedules the Commission will agree with this position. Should members of the Commission Staff require any further information, please do not hesitate to contact me.

Sincerely,
ROSE, SUNDSTROM & BENTLEY


F. Marshall Detering
For The Firm

FMD/kkj
Attachment

cc: Ms. Judy Mallett (w/o enclosure)
Mr. David Swor (w/o enclosure)
Mr. Robert C. Nixon, C.P.A. (w/o enclosure)

DOCUMENT NUMBER-DATE
01481 FEB 10 1992
F-PSC-RECORDS/REPORTING

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
JAMES L. WILSON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. CARLSTEDT, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
TELECOPIER
(813) 797-3602

February 5, 1992

Officers and Directors
Forest Utilities, Inc.

As requested, we have prepared the accompanying Special Report of Forest Utilities, Inc., consisting of schedules one through four. 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, 1990, 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

Forest Utilities, Inc.
 Schedule of Tax on CIAC and Proposed Refund
 For the Taxable Year Ended December 31, 1990
 (Unaudited)

Line No.	<u>1990</u>
1 Total above the line taxable income (Schedule No. 2)	\$ 81,665
2 Less: Above the line taxable income before CIAC	(49,035)
3 (Schedule No. 2)	<u>(1,134)</u>
4 Interest earned on 1990 gross-up	31,496
5 Taxable CIAC and gross-up	<u>31,496</u>
6 Less: First year depreciation on CIAC	-
7 Net taxable CIAC and gross-up	31,496
8 Effective state and federal tax rate	<u>.3204</u> <i>new calculation →</i>
9 Income tax on CIAC and gross-up	10,091
10 1990 gross-up collections	<u>(12,121)</u>
11 Excess gross-up collected	(2,030)
12 Interest earned on gross-up, net of tax (Note 1)	\$ 771
13 Percentage related to excess gross-up (Note 2)	<u>16.75%</u>
14	<u>\$ 129</u>
15 Total proposed refund (excess collected)	<u>\$ (2,159)</u>
16 Notes: (1) Interest net of tax was calculated as follows:	
17 Interest earned	\$ 1,134
18 Effective tax rate	<u>.3204</u>
19 Tax on interest	363
20 Total interest	<u>(1,134)</u>
21 Interest net of tax	<u>\$ 771</u>
22 (2) Excess gross-up collected	<u>\$ 2,030</u>
23 Divide by total gross-up	<u>\$12,121</u>
24 Percentage excess	<u>16.75%</u>
25 (3) Refund of \$2,159, plus interest, since 12/31/90 is	
26 proposed. Refund will be made on a pro-rata basis.	

Forest Utilities, Inc.
Schedule of Above and Below the Line Taxable Income
For the Taxable Year Ended December 31, 1990
(Unaudited)

Line No.	<u>1990</u>
1	<u>Above the line taxable income</u>
2	Gross receipts/sales (line 1a) \$448,640 ✓
3	Deductions:
4	Compensation of officers (line 12) 36,000 ✓
5	Salaries & wages (line 13c) 57,729 ✓
6	Taxes, excluding state income & excise (line 17) 34,900 ✓
7	Interest (Schedule No. 3)(line 18) 10,433 ✓
8	Depreciation (Schedule No. 3)(line 21b) 18,347
9	Employee benefit programs (line 25) 8,008
10	Other deductions, excluding non-utility (line 26) <u>234,188</u>
11	<u>399,605</u>
12	Taxable income before CIAC <u>49,035</u>
13	CIAC:
14	Taxable CIAC 19,375 ✓
15	CIAC gross-up 12,121 ✓
16	Interest earned on CIAC gross-up <u>1,134 ✓</u>
17	<u>32,630</u>
18	Above the line taxable income <u>81,665</u>
19	<u>Below the line taxable income (loss)</u>
20	Income:
21	Interest (line 5) 1,546 ✓
22	Other non-utility (line 10) <u>790</u>
23	<u>2,336</u>
24	Deductions:
25	Compensation of officers (line 12) 4,800
26	Taxes - state income & excise (line 17) 2,175
27	Interest (Schedule No. 3)(line 18) 19,697
28	Depreciation (Schedule No. 3)(line 21b) 16,050
29	Other deductions - non-utility (line 25) <u>819</u>
30	<u>43,541</u>
31	Below the line taxable income (loss) <u>(41,205)</u>
32	Total taxable income (line 30) <u>\$ 40,460 ✓</u>
33	Note: All line references relate to page 1 of the federal tax return
34	attached to this report.

V. this to tax return

Forest Utilities, Inc.
 Above and Below the Line Interest and Depreciation Expense
 Taxable Year Ended December 31, 1990
 (Unaudited)

Line No.	<u>1990</u>
	<u>\$275,403</u>
1 <u>Interest expense</u>	
2 Total long-term debt	\$ 97,001 <u>(4,160)</u>
3 Rate base (Schedule No. 4)	<u>\$ 92,841</u>
4 Less: Customer deposits	
5 Rate base related to long-term debt	<u>\$182,562</u>
6 Debt in excess of rate base	<u>66,294</u>
7 Percentage of debt in excess of rate base	\$ 30,130 <u>(417)</u>
8 Total tax interest expense	29,713
9 Less: Interest on customer deposits	<u>.6629</u>
10 Interest on long-term debt	19,697
11 Percentage in excess of rate base	<u>10,433</u>
12 Below the line interest expense	
13 Above the line interest expense	<u>\$ 30,130</u>
14 Total interest expense	
	\$ 34,397 <u>46.66%</u>
15 <u>Depreciation expense</u>	
16 Total depreciation expense	16,050
17 Percent non-used & useful (Note 1)	<u>18,347</u>
18 Below the line depreciation	
19 Above the line depreciation	<u>\$ 34,397</u>
20 Total depreciation expense	
21 Note (1): The non-used and useful percentage for depreciation expense	<u>\$ 84,855</u>
22 was calculated as follows:	
23 Total non-used & useful plant	
24 Rate base before used & useful	<u>\$181,856</u>
25 adjustment	<u>46.66%</u>
26 Percent non-used & useful	
27 This approach was used since tax depreciation is net of depreciation on	
28 contributed assets received prior to 1987; specific identification of	
29 such CIAC to plant is not available.	

Forest Utilities, Inc.
 Schedule of Rate Base
 December 31, 1990
 (Unaudited)

Line
 No.

1	<u>Rate base</u>	\$2,436,251
2	Utility plant in service	26,690
3	Land	(84,855)
4	Non-used & useful plant (Note 1)	(494,222)
5	Accumulated depreciation	(2,235,539)
6	CIAC	<u>448,676</u>
7	Accumulated amortization of CIAC	<u>\$ 97,001</u>
8	Rate base	
9	Note (1): Non-used & useful plant is determined as follows:	
10	Average daily flow in peak month	<u>445,000</u>
11	(March 1990) (gpd)	
12	Capacity of treatment & disposal	<u>500,000</u>
13	plant (gpd)	
14	Percent used & useful	89%
15	Percent non-used & useful	<u>11</u>
16	Total	<u>100%</u>
17	Treatment & disposal equipment	\$934,866
18	(Acct. 380)	<u>.11</u>
19	Percent non-used & useful	<u>102,835</u>
20	Amount non-used & useful	163,452
21	Accumulated depreciation (Acct. 380)	<u>(.11)</u>
22	Percent non-used & useful	<u>(17,980)</u>
23		
24	Net non-used & useful plant	<u>\$ 84,855</u>

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
JAMES L. WILSON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. CARLSTEDT, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
TELECOPIER
(813) 797-3602

October 16, 1992

Officers and Directors
Forest Utilities, Inc.

As requested, we have prepared the accompanying Special Report of Forest Utilities, Inc., consisting of Schedules No. 1 through No. 4. 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, 1991, 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

Forest Utilities, Inc.
Schedule of Tax on CIAC and Proposed Refund
For the Taxable Year Ended December 31, 1991

Line
No.

1	Taxable CIAC	
2	Less: First year's depreciation on 1991 CIAC collections	\$29,375
3	Net taxable CIAC	<u>0</u>
4	Effective federal and state tax rate	29,375
5	Income tax on CIAC	<u>.3763</u>
6	Expansion factor to gross-up taxes	11,054
7	Gross-up required to pay tax effect	<u>1,6033</u>
8	1991 gross-up collections	17,723
9	Total (proposed refund) excess collected	<u>(19,159)</u>
		<u>\$ 1,436</u>

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income
 For the Taxable Year Ended December 31, 1991

Line
 No.

	<u>Above the line taxable income (loss)</u>	<u>\$481,289</u>
1	Gross receipts/sales (line 1a)	48,000
2	Deductions:	63,369
3	Compensation of officers (line 12)	43,313
4	Salaries and wages (line 13c)	5,435
5	Taxes, excluding state income and excise (line 17)	17,526
6	Interest (Schedule No. 3) (line 18)	15,517
7	Depreciation (Schedule No. 3) (line 21b)	223,258
8	Employee benefits programs (line 25)	
9	Other deductions, excluding non-utility (line 26)	<u>416,418</u>
10		
11	Total deductions	<u>64,871</u>
12	Taxable income before CIAC	29,375
13	CIAC:	19,159
14	Taxable CIAC	344
15	CIAC gross-up	
16	Interest earned on CIAC gross-up	<u>48,878</u>
17	Total CIAC	<u>113,749</u>
18	<u>Above the line taxable income (loss)</u>	
19	<u>Below the line taxable income (loss)</u>	
20	Income:	4,980
21	Interest (line 5)	<u>1,002</u>
22	Other non-utility (line 10)	
23	Total other income	<u>5,982</u>
24	Deductions:	9,675
25	Compensation of officers (line 12)	2,972
26	Taxes - state income and excise	31,967
27	Interest (Schedule No. 3) (line 18)	25,231
28	Depreciation (Schedule No. 3) (line 21b)	<u>1,577</u>
29	Other deductions - non-utility (line 26)	
30	Total other deductions	<u>71,422</u>
31	Below the line taxable income (loss)	<u>(65,440)</u>
32	Total taxable income (line 30)	<u>\$ 48,309</u>
33	Note: All line references refer to page 1 of the Federal Tax Return	
34	attached to this report.	

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income
 For the Taxable Year Ended December 31, 1991

Line No.		<u>\$382,905</u>
1	<u>Interest expense</u>	\$ 56,889
2	Total long-term debt	<u>(4,240)</u>
3	Rate base (Schedule No. 4)	\$ 52,649
4	Less: Customer deposits	<u>\$330,256</u>
5	Rate base related to long-term debt	<u>86,256</u>
6	Debt in excess of rate base	\$ 37,402
7	Percentage of rate base in excess of debt	<u>(332)</u>
8	Total tax interest expense	37,063
9	Less: Interest on customer deposits	<u>86,256</u>
10	Interest on long-term debt	31,967
11	Percentage in excess of rate base	<u>5,435</u>
12	Below the line interest expense	<u>\$ 37,402</u>
13	Above the line interest expense	
14	Total interest expense	\$ 42,757
15	<u>Depreciation expense</u>	<u>59,016</u>
16	Total depreciation expense	25,231
17	Percent non-used and useful (Note 1)	<u>17,526</u>
18	Below the depreciation expense	<u>\$ 42,757</u>
19	Above the line depreciation expense	
20	Total depreciation expense	
21	Note (1): The non-used and useful percentage for depreciation expense	<u>\$ 81,910</u>
22	was calculated as follows:	
23	Total non-used and useful plant	<u>\$138,799</u>
24	Rate base before used and useful adjustment	<u>59,016</u>
25	Percent non-used and useful	
26	This approach was used since tax depreciation is net of	
27	depreciation on contributed assets received prior to 1987. Specific	
28	identification of such CIAC to plant is not available.	

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income
 For the Taxable Year Ended December 31, 1991

Line
 No.

1	<u>Rate Base</u>	
2	Utility plant in service	\$2,436,251
3	Land	26,690
4	Non-used and useful plant (Note 1)	(81,910)
5	Accumulated depreciation	(579,237)
6	CIAC	(2,264,914)
7	Accumulated amortization of CIAC	<u>520,009</u>
8	Rate base	<u>\$ 56,889</u>
9	Note (1): Non-used and useful plant is determined as follows:	
10	Average daily flow in peak month	
11	(January, 1991) (gpd)	<u>447,000</u>
12	Capacity of treatment & disposal plant (gpd)	<u>500,000</u>
13	Percent used and useful	89%
14	Percent non-used and useful	<u>11%</u>
15	Total	<u>100%</u>
16	Treatment and disposal equipment (Acct. 380)	\$ 942,823
17	Percent non-used and useful	<u>11%</u>
18	Amount non-used and useful	<u>103,711</u>
19	Accumulated depreciation (Acct. 380)	(198,189)
20	Percent non-used and useful	<u>11%</u>
21	Amount non-used and useful	<u>(21,801)</u>
22	Net non-used and useful plant	<u>\$ 81,910</u>

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE

TALLAHASSEE, FLORIDA 32301

(904) 877-1555

ROBERT A. ANTISTA
CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS
ROBERT M. C. ROSE, P.A.
WILLIAM E. SUNDBSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

JOHN R. WOODASKA
SPECIAL CONSULTANT
(NOT A MEMBER OF THE FLORIDA BAR)

MAILING ADDRESS
POST OFFICE BOX 1587
TALLAHASSEE, FLORIDA 32302-1587

TELECOPIER (904) 856-4029

October 22, 1992

VIA HAND DELIVERY

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Forest Utilities, Inc.
Proposed Disposition of Gross-up Funds for 1991
Our File No. 25052.03

Dear Mr. Tribble:

I am attaching hereto three copies of the 4 page package that was put together by the Utility's Accountant to justify Forest Utilities, Inc.'s proposed disposition of gross-up funds collected during the tax year ended December 31, 1991. In accordance with a recent letter received from Chuck Hill concerning such filings, the tax return information which is confidential information pursuant to Order No. 16971, is being submitted directly to you in conjunction with the filing of a annual CIAC gross-up report for refund calculation filed today with the Division of Water and Wastewater.

Should you have any questions in this regard, please let me know.

Sincerely,


F. Marshall Deterding
For The Firm

FMD/kkj

Enclosure

cc: Mr. Charles Hill
Ms. Judy Mallett
Mr. David Swor
Mr. Robert C. Nixon, C.P.A.

LAW OFFICES
ROSE, SUNDBSTROM & BENTLEY
A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301
(904) 877-6855

MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567
TELECOPIER (904) 656-4029

ROBERT A. ANTIETA
CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS
ROBERT M. C. ROSE, P.A.
WILLIAM E. SUNDBSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

October 22, 1992

VIA HAND DELIVERY

JOHN R. WODRASKA
SPECIAL CONSULTANT
(NOT A MEMBER OF THE FLORIDA BAR)

Mr. Charles Hill, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Forest Utilities, Inc.; Proposed Disposition of Gross-up
Funds for Tax Year Ended December 31, 1991
Our File No. 25052.03

Dear Mr. Hill:

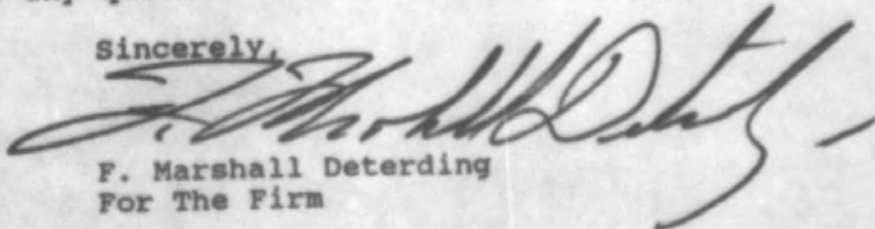
Attached are six copies of a schedule showing our calculation of the appropriate disposition of gross-up funds collected for the tax year ended December 31, 1991. You will note that the Utility has calculated that only minimal over-collection of gross-up monies occurred during that tax year.

In accordance with recent correspondence received from your office on confidential treatment of tax returns, I am submitting one copy of the tax return directly to the Clerk.

I believe after review of the calculations made by the Utility, you will agree that the disposition proposed by them is appropriate.

Should you have any questions in this regard, please let me know.

Sincerely,



F. Marshall Deterding
For The Firm

FMD/kkj
Enclosures

cc: Mr. Steve Tribble
Ms. Judy Mallett
Mr. David Swor
Mr. Robert C. Nixon, C.P.A.

RECEIVED

OCT 23 1992

Fla. Public Service Commission
Division of Water and Sewer

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE

TALLAHASSEE, FLORIDA 32301

(904) 877-8888

ROBERT A. ANTISIA
CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS
ROBERT M. C. ROSE, P.A.
WILLIAM E. SUNDBSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

JOHN R. WOODRASKA
SPECIAL CONSULTANT
NOT A MEMBER OF THE FLORIDA BARR

MAILING ADDRESS
POST OFFICE BOX 1587
TALLAHASSEE, FLORIDA 32302-1587
TELECOPIER (904) 886-4029

November 2, 1993

VIA HAND DELIVERY

RECEIVED

NOV 5 1993

Florida Public Service Commission
Division of Water and Wastewater

Mr. Charles H. Hill, Director
Division of Water and Wastewater
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: Forest Utilities, Inc.
Proposed Disposition of Gross-up Funds
Our File No. 25052.03

Dear Mr. Hill:

Attached are six copies of a set of schedules showing our calculation of the appropriate disposition of gross-up funds collected for the tax year ended December 31, 1992. You will note that the actual gross-up collected ~~exceeds~~ the Utility calculated tax on CIAC by a very immaterial amount of \$549.00. When interest is added to this excess gross-up money collected, the total is \$558.00. Because the administrative cost of making this refund will exceed the amount of the refund itself, the Utility is requesting that it be authorized to book this excess as CIAC.

In accordance with the recent correspondence received from your office on confidential treatment of tax returns, I am submitting one copy of the tax return directly to the Clerk. }

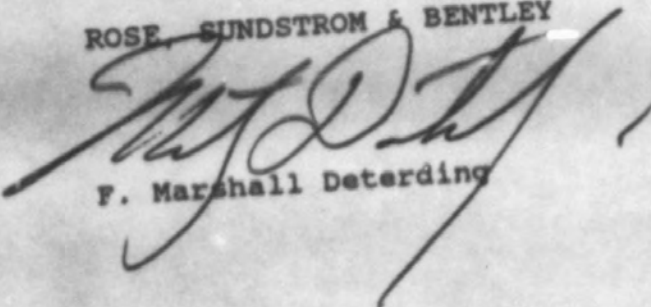
I believe after review of the calculations made by the Utility, you will agree that the disposition proposed by them is appropriate.

Mr. Charles H. Hill
November 2, 1993
Page 2

Should you have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY



F. Marshall Deterding

FMD/lts

Enclosures

cc: Mr. Steve Tribble
Ms. Judy Mallett
Mr. David Swor

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(904) 877-8888

MAILING ADDRESS
POST OFFICE BOX 1587
TALLAHASSEE, FLORIDA 32302-1587
TELECOPIER (904) 888-4999

ROBERT A. ANTISA
CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS
ROBERT M. C. ROSE, P.A.
WILLIAM E. SUNDSTROM, P.A.
DAVE D. TREMOR, P.A.
JOHN L. WHARTON

November 2, 1993

VIA HAND DELIVERY

JOHN R. WOODASKA
SPECIAL CONSULTANT
NOT A MEMBER OF THE FLORIDA BAR

Mr. Steve Tribble
Director of Records and Reporting
Florida Public Service Commission
Fletcher Building
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Forest Utilities, Inc.,
Proposed Disposition of Gross-up Funds
Our File No. 25052.03

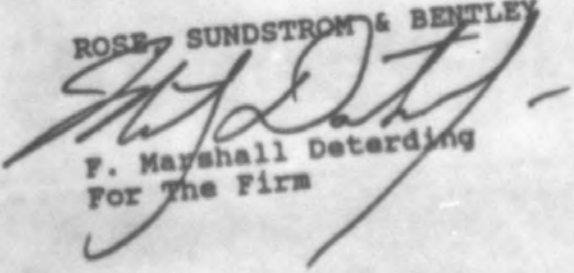
Dear Mr. Tribble:

Attached is one copy of tax return information submitted on behalf of Forest Utilities, Inc., to justify its proposed disposition of gross-up funds collected during the tax year ended December 31, 1992. In accordance with the recent letter received from Chuck Hill, this tax return is confidential information pursuant to Order No. 16971 and is being submitted directly to you in conjunction with the filing of a annual CIAC gross-up report for refund calculation filed today with the Division of Water and Wastewater.

Should you have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY


F. Marshall Deterding
For The Firm

FMD/lts
Enclosure
cc: Mr. Chuck Hill
Ms. Judy Mallett
Mr. David Swor

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
BRENDA W. McBARRON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
TELECOPIER
(813) 797-3602

November 1, 1993

Officers and Directors
Forest Utilities, Inc.

As requested, we have prepared the accompanying Special Report of Forest Utilities, Inc., consisting of Schedules No. 1 through No. 4. 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, 1992, 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

Forest Utilities, Inc.
 Schedule of Tax on CIAC and Proposed Refund
 For the Taxable Year Ended December 31, 1992

Line No.		
1	Taxable CIAC	\$11,250*
2	Less: First year's depreciation on 1992 CIAC collections	<u>(496)</u>
3	Net taxable CIAC	10,754
4	Effective federal and state tax rate	<u>.3763</u>
5	Income tax on CIAC	4,047
6	Expansion factor to gross-up taxes	<u>1.6033</u>
7	Gross-up required to pay tax effect	6,489
8	Less: 1992 gross-up collections	<u>(7,038)</u>
9	Excess gross-up collected	549
	Interest on excess gross-up collected	<u>9</u>
	Total proposed refund (2)	<u>\$ 558</u>

Notes: (1) Interest on excess gross-up - net of tax is calculated as follows:

Interest earned on 1992 gross-up	\$ 186
Effective tax rate	<u>.3763</u>
Tax on interest	70
Total interest per above	<u>(186)</u>
Net interest - 1992 collections	116
Percent related to excess (\$549/\$7,038)	<u>7.80%</u>
Interest on gross-up collections	<u>\$ 9</u>

(2) Due to the minor amount of the refund and the administrative costs of making such refunds, the utility requests approval to book the excess gross-up collections as CIAC.

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income
 For the Taxable Year Ended December 31, 1992

Line No.		
1	<u>Above the line taxable income (loss)</u>	
2	Gross receipts/sales (line 1a)	<u>\$ 486,225</u>
3	Deductions:	
4	Compensation of officers (line 12)	60,000
5	Salaries and wages (line 13c)	73,378
6	Repairs (line 14)	12,633
7	Taxes	47,322
8	Interest (Schedule No. 3) (line 18)	11,196
9	Depreciation (Schedule No. 3) (line 21b)	24,070
10	Employee benefits programs (line 25)	11,087
11	Other deductions, excluding non-utility (line 26)	<u>197,326</u>
12	Total deductions	<u>437,012</u>
13	Taxable income before CIAC	<u>49,213</u>
14	CIAC:	
15	Taxable CIAC	11,250 ✓
16	CIAC gross-up	7,038 ✓
17	Interest earned on CIAC gross-up	<u>186 ✓</u>
18	Total CIAC	<u>18,474</u>
19	Above the line taxable income	<u>67,687</u>
20	<u>Below the line taxable loss</u>	
21	Income:	
22	Interest (line 5)	3,255
23	Capital gain - sale of securities (line 8)	11,483
24	Other non-utility (line 10)	<u>1,314</u>
25	Total other income	<u>16,052</u>
26	Deductions:	
27	Compensation of officers (line 12)	28,241
28	Interest (Schedule No. 3) (line 18)	30,470
29	Depreciation (Schedule No. 3) (line 21b)	24,652
30	Other deductions - non-utility (line 26)	1,049
31	Refund - prior year's gross-up (line 26)	<u>40,873</u>
32	Total other deductions	<u>125,285</u>
33	Below the line taxable loss	<u>(109,233)</u>
34	Total taxable loss (line 30)	<u>\$ (41,546) ✓</u>
35	Note: All line references refer to page 1 of the Federal Tax Return	
36	attached to this report.	

✓ *ten to tax Return*

Forest Utilities, Inc.
 Schedule of Above and Below the Line
 Interest and Depreciation Expense
 For the Taxable Year Ended December 31, 1992

Line No.		
1	<u>Interest expense</u>	
2	Total long-term debt	<u>\$340,841</u>
3	Total sewer rate base (Schedule No. 4)	\$ 95,883
4	Less: Customer deposits	<u>(4,300)</u>
5	Rate base related to long-term debt	<u>\$ 91,583</u>
6	Long-term debt in excess of rate base	<u>\$249,258</u>
7	Excess percentage	<u>73.13%</u>
8	Total interest expense (line 18)	\$ 41,666
9	Percentage in excess of rate base	<u>73.13%</u>
10	Below the line interest expense	30,470
11	Above the line interest expense	<u>11,196</u>
12	Total interest expense	<u>\$ 41,666</u>
13	<u>Depreciation expense</u>	
14	Total tax depreciation expense	\$ 48,722
15	Less: Depreciation on post-1986 CIAC assets (Note 1)	<u>(15,291)</u>
16	Depreciation on net invested assets	33,431
17	Percentage used and useful (Schedule No. 4)	<u>72%</u>
18	Above the line depreciation expense	24,070
19	Below the depreciation expense	<u>24,652</u>
20	Total depreciation expense	<u>\$ 48,722</u>

21 Note (1): Below the line classification is necessary for the
 22 contributor to receive the benefit of the first year's depreciation
 23 only, in the refund calculation shown on Schedule No. 1.

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income
 For the Taxable Year Ended December 31, 1992

Line No.		
1	<u>Rate Base</u>	
2	Utility plant in service	\$2,624,013
3	Land	26,690
4	Non-used and useful plant (Note 1)	(199,846)
5	Accumulated depreciation	(667,388)
6	CIAC	(2,276,164)
7	Accumulated amortization of CIAC	<u>588,578</u>
8	Rate base	<u>\$ 95,883</u>
9	Note (1): Non-used and useful plant is determined as follows:	
10	Average daily flow in peak month	
11	(February, 1993) (gpd)	<u>360,000</u>
12	Capacity of treatment & disposal plant (gpd)	<u>500,000</u>
13	Percent used and useful	72%
14	Percent non-used and useful	<u>28%</u>
15	Total	<u>100%</u>
16	Treatment and disposal equipment (Acct. 380)	\$ 946,881
17	Percent non-used and useful	<u>28%</u>
18	Amount non-used and useful	<u>265,127</u>
19	Accumulated depreciation (Acct. 380)	(233,148)
20	Percent non-used and useful	<u>28%</u>
21	Amount non-used and useful	<u>(65,281)</u>
22	Net non-used and useful plant	<u>\$ 199,846</u>

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
BRENDA W. McBARRON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
TELECOPIER
(813) 797-3602

September 6, 1994

Officers and Directors
Forest Utilities, Inc.

As requested, we have prepared the accompanying Special Report of Forest Utilities, Inc., 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

Forest Utilities, Inc.
 Schedule of Tax on CIAC and Proposed Gross-up Refund
 For the Taxable Year Ended December 31, 1993
 (Unaudited)

Line No.		
1	Taxable CIAC	\$125,924
2	Less: First year depreciation on CIAC assets	<u>(4,652)</u>
		121,272
3	Net taxable CIAC	<u>37,634</u>
4	Effective federal and state tax rate	45,635
		<u>1,6033</u>
5	Tax on CIAC	73,166
6	Expansion factor for gross-up taxes	<u>(82,747)</u>
		9,419
7	Gross-up required to pay tax effect	<u>\$ 9,581</u>
8	Less: CIAC gross-up collected (Schedule No. 2)	
9	Excess gross-up collected (1)	
10	Note (1): The utility proposes to refund \$9,581 on a prorata basis,	
11	plus accrued interest to the date of refund.	

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income (Loss)
 For the Taxable Year Ended December 31, 1993
 (Unaudited)

Line
 No.

1	<u>Above the line taxable income (loss)</u>	<u>\$ 489,393</u>
2	Gross receipts/sales (Line 1a)	
3	Deductions:	
4	Compensation of officers (Line 12)	60,000
5	Salaries and wages (Line 13c)	69,993
6	Taxes (Line 17)	57,821
7	Interest (Schedule No. 3)	25,199
8	Depreciation (Schedule No. 3) (Line 21b)	22,003
9	Employee benefits programs (Line 25)	17,254
10	Other deductions, excluding non-utility (Line 26)	<u>221,370</u>
11	Total deductions	<u>473,640</u>
12	Taxable income before CIAC	<u>15,753</u>
13	CIAC:	
14	Taxable CIAC (Line 10)	125,924
15	CIAC gross-up (Line 10)	<u>82,747</u>
16	Total CIAC	<u>208,671</u>
17		
18	Above the line taxable income	<u>224,424</u>
19	<u>Below the line taxable loss</u>	
20	Income:	
21	Dividends (Line 4)	4,894
22	Interest, including \$923 earned on	
23	gross-up escrow account	7,332
24	Capital gain - sale of securities (Line 8)	10,483
25	Other non-utility (Line 10)	<u>6,188</u>
26	Total other income	<u>28,897</u>
27	Deductions:	
28	Compensation of officers (Line 12)	32,616
29	Depreciation (Schedule No. 3)	28,327
30	Other deductions - non-utility (Line 26)	<u>212</u>
31	Total other deductions	<u>61,155</u>
32	Below the line taxable loss	<u>(32,258)</u>
33	Total taxable income (Line 30)	<u>\$ 192,166</u>
34	Note: All line references refer to page 1 of the Federal Tax Return	
35	attached to this report.	

Forest Utilities, Inc.
Schedule of Above and Below the Line
Interest and Depreciation Expense
For the Taxable Year Ended December 31, 1993
(Unaudited)

Line
No.

1 Interest expense
 2 All interest expense for 1993 is considered "above the line",
 3 since rate base exceeds debit capital (see Schedule No. 4).

4	<u>Depreciation expense</u>	
5	Total tax depreciation expense (Line 21b)	\$ 50,330
6	Less: Depreciation on post-1986 CIAC assets (Note 1)	<u>(18,442)</u>
7	Depreciation on net invested assets	31,888
8	Percentage used and useful (Schedule No. 4)	<u>69%</u>
9	Above the line depreciation expense	22,003
10	Below the depreciation expense	<u>28,327</u>
11	Total depreciation expense	<u>\$ 50,330</u>

12 Note (1): Below the line classification is necessary for the
 13 contributor to receive the benefit of the first year's depreciation
 14 only, in the refund calculation shown on Schedule No. 1.

Forest Utilities, Inc.
 Schedule of Rate Base and Used and Useful Plant
 For the Taxable Year Ended December 31, 1993
 (Unaudited)

Line No.		
1	<u>Rate Base</u>	
2	Utility plant in service	\$2,757,286
3	Land	26,690
4	Non-used and useful plant (Note 1)	(210,396)
5	Accumulated depreciation	(757,691)
6	CIAC (net of prepaid CIAC of \$339,377)	(2,062,711)
7	Accumulated amortization of CIAC	<u>662,728</u>
8	Rate base	<u>\$ 415,906</u>
9	Note (1): Non-used and useful plant is determined as follows:	
10	Average daily flow in peak month	
11	(February, 1993) (gpd)	<u>345,000</u>
12	Capacity of treatment & disposal plant (gpd)	<u>500,000</u>
13	Percent used and useful	
14	Percent non-used and useful	69%
15	Total	<u>100%</u>
16	Treatment and disposal equipment (Acct. 380)	\$ 946,881
17	Percent non-used and useful	<u>31%</u>
18	Amount non-used and useful	<u>293,533</u>
19	Accumulated depreciation (Acct. 380)	(268,183)
20	Percent non-used and useful	<u>31%</u>
21	Amount non-used and useful	<u>(83,137)</u>
22	Net non-used and useful plant	<u>\$ 210,396</u>

Forest Utilities, Inc.
Detailed Statement of Tax Impact Account
Year Ended December 31, 1993
(Unaudited)

<u>Line</u> <u>No.</u>		
1	Balance January 1, 1993	\$ 17,089
2	1993 gross-up collections	82,747
3	Refunded tax deposits	8,616
4	Tax deposits paid	(81,575)
5	Interest earned	<u>923</u>
6	Balance December 31, 1993	<u>\$ 27,800</u>

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
TELECOPIER
(813) 797-3602

October 16, 1995

Officers and Directors
Forest Utilities, Inc.

As requested, we have prepared the accompanying Special Report of Forest Utilities, Inc., 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, 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.

Cronin, Jackson, Nixon & Wilson

CRONIN, JACKSON, NIXON & WILSON

Forest Utilities, Inc.
Schedule of Tax on CIAC and Proposed Gross-up Refund
For the Taxable Year Ended December 31, 1994
(Unaudited)

**Line
No.**

1	Taxable CIAC	\$ 5,164
2	Less: First year depreciation on CIAC assets	<u>(258)</u>
3	Net taxable CIAC	4,906
4	Effective federal and state tax rate	<u>37.63%</u>
5	Tax on CIAC	1,846
6	Expansion factor for gross-up taxes	<u>1.6033</u>
7	Gross-up required to pay tax effect	2,960
8	Less: Gross-up collected (Schedule No. 2)	<u>(3,287)</u>
9	Excess gross-up collected (1)	<u>\$ (327)</u>
10		
11	Note (1): Because of the immaterial amount of excess gross-up	
12	collected, Forest Utilities, Inc. proposes to book this amount as	
13	CIAC instead of making a refund. The cost of refunding such a small	
14	amount would far exceed the amount of refund.	

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income (Loss)
 For the Taxable Year Ended December 31, 1994
 (Unaudited)

Line
 No.

1	<u>Above the line taxable income (loss)</u>	
2	Gross receipts/sales (Line 1c)	<u>\$ 517,973</u>
3	Deductions:	
4	Compensation of officers (Line 12)	60,000
5	Salaries and wages (Line 13)	82,643
6	Bad debts (Line 15)	532
7	Taxes and licenses (Line 17)	60,937
8	Interest (Schedule No. 3) (Line 18)	25,367
9	Depreciation (Schedule No. 3) (Line 21b)	14,233
10	Employee benefits programs	22,434
11	Other deductions, excluding non-utility	<u>240,535</u>
12	Total deductions	<u>506,681</u>
13	Taxable income before CIAC	<u>11,292</u>
14	CIAC:	
15	Taxable CIAC (Line 10)	5,164
16	CIAC gross-up (Line 10)	<u>3,287</u>
17		
18	Total CIAC	<u>8,451</u>
19	Above the line taxable income	<u>19,743</u>
20	<u>Below the line taxable loss</u>	
21	Income:	
22	Dividends	3,041
23	Interest, including \$585 earned on	
24	gross-up escrow account	3,856
25	Capital gain - sale of securities	6,735
26	Non-utility income (Line 10)	<u>4,004</u>
27	Total other income	<u>17,636</u>
28	Deductions:	
29	Compensation of officers (Line 12)	32,616
30	Depreciation (Schedule No. 3) (Line 21b)	37,418
31	Other deductions - legal and accounting rate	
32	restructuring costs (Line 26)	23,989
33	Other deductions - non-utility (Line 26)	<u>885</u>
34	Total other deductions	<u>94,908</u>
35	Below the line taxable loss	<u>(77,272)</u>
36	Total taxable loss (Line 30)	<u>\$ (57,529)</u>
37	Note: All line references refer to page 1 of the Federal Tax Return	
38	attached to this report.	

Forest Utilities, Inc.
 Schedule of Above and Below the Line
 Interest and Depreciation Expense
 For the Taxable Year Ended December 31, 1994
 (Unaudited)

Line No.		
1	<u>Interest expense</u>	
2	All interest expense for 1994 is considered "above the line", since	
3	rate base exceeds debt capital (see Schedule No. 4).	
4	<u>Depreciation expense</u>	
5	A. <u>Components of depreciation</u>	
6	Plant depreciation	\$ 75,183
7	Amortization of pre-1987 CIAC	(54,556)
8	Depreciation of post-1986 CIAC assets	30,766
9	Depreciation of current year CIAC assets	<u>258</u>
10	Total depreciation	<u>\$ 51,651</u>
11	B. <u>Above and below the line depreciation</u>	
12	Above the line:	
13	Net plant depreciation (\$75,183 - \$54,556)	\$ 20,627
14	Used and useful percent	<u>69%</u>
15	Used and useful depreciation	<u>14,233</u>
16	Below the line:	
17	Net non-used and useful plant depreciation	
18	(\$20,627 - \$14,233)	6,394
19	Depreciation on post-1986 CIAC assets (1)	<u>31,024</u>
20	Total below the line depreciation	<u>37,418</u>
21	Total depreciation expense	<u>\$ 51,651</u>
22	Note (1): Below the line classification is necessary for the	
23	contributor to receive the benefit of the first year's depreciation	
24	only in the refund calculation shown on Schedule No. 1.	

Forest Utilities, Inc.
 Schedule of Rate Base and Used and Useful Plant
 For the Taxable Year Ended December 31, 1994
 (Unaudited)

Line No.		
1	<u>Rate Base</u>	
2	Utility plant in service	\$2,782,712
3	Land	26,690
4	Non-used and useful plant (Note 1)	(199,895)
5	Accumulated depreciation	(851,904)
6	CIAC (net of prepaid CIAC of \$310,026)	(2,097,226)
7	Accumulated amortization of CIAC	<u>738,956</u>
8	Rate base	<u>\$ 399,333</u>
9	Note (1): Non-used and useful plant is determined as follows:	
10	Average daily flow in peak month	
11	(January, 1994) (gpd)	<u>342,000</u>
12	Capacity of treatment & disposal plant (gpd)	<u>500,000</u>
13	Percent used and useful	69%
14	Percent non-used and useful	<u>31%</u>
15	Total	<u>100%</u>
16	Treatment and disposal equipment (Acct. 380)	\$ 948,061
17	Percent non-used and useful	<u>31%</u>
18	Amount non-used and useful	<u>293,899</u>
19	Accumulated depreciation (Acct. 380)	(303,240)
20	Percent non-used and useful	<u>31%</u>
21	Amount non-used and useful	<u>(94,004)</u>
22	Net non-used and useful plant	<u>\$ 199,895</u>

Forest Utilities, Inc.
Detailed Statement of Tax Impact Account
Year Ended December 31, 1994
(Unaudited)

Line <u>No.</u>		
1	Balance January 1, 1994	\$ 27,800
2	1994 gross-up collections	3,287
3	Refunded 1989 federal income taxes	16,203
4	Interest earned	585
5	Refunded 1993 federal and state income taxes	5,876
6	Bank charges	(149)
7	Transfer to operating account	<u>(21,921)</u>
8	Balance December 31, 1994	<u>\$ 31,681</u>

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
FACSIMILE
(813) 797-3602

July 3, 1996

Officers and Directors
Forest Utilities, Inc.

As requested, we have prepared the accompanying Special Report of Forest Utilities, Inc., consisting of Schedules No. 1 through No. 4. 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, 1995, 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

Forest Utilities, Inc.
Schedule of Tax on CIAC and Proposed Gross-up Refund
For the Taxable Year Ended December 31, 1995
(Unaudited)

Line
No.

1	Taxable CIAC	\$ 25,936
2	Less: First year depreciation on CIAC assets	<u>(973)</u>
3	Net taxable CIAC	24,963
4	Effective federal and state tax rate	<u>37.63%</u>
5	Tax on CIAC	9,394
6	Expansion factor for gross-up taxes	<u>1.6033</u>
7	Gross-up required to pay tax effect	15,061
8	Less: Gross-up collected (Schedule No. 2)	<u>(3,128)</u>
9	Excess gross-up (over) under collected (1)	<u>\$ 11,933</u>
10		
11	Note (1): No refund is required, since the Company undercollected	
12	gross-up.	

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income (Loss)
 For the Taxable Year Ended December 31, 1995
 (Unaudited)

Line No.		
1	<u>Above the line taxable income (loss)</u>	
2	Gross receipts/sales (Line 1c)	\$ 522,259
3	Deductions:	
4	Compensation of officers (Line 12)	62,616
5	Salaries and wages (Line 13)	83,048
6	Bad debts (Line 15)	414
7	Taxes and licenses (Line 17)	59,685
8	Interest (Schedule No. 3) (Line 18)	27,712
9	Depreciation (Schedule No. 3) (Line 21b)	20,230
10	Employee benefits programs	7,188
11	Other deductions, excluding non-utility	<u>231,307</u>
12	Total deductions	<u>492,200</u>
13	Taxable income before CIAC	<u>30,059</u>
14	CIAC:	
15	Taxable CIAC (Line 10)	25,936
16	CIAC gross-up (Line 10)	<u>3,128</u>
17		
18	Total CIAC	<u>29,064</u>
19	Above the line taxable income	<u>59,123</u>
20	<u>Below the line taxable loss</u>	
21	Income:	
22	Dividends (Line 4)	2,215
23	Interest (Line 5)	6,281
24	Capital gain - sale of securities (Line 8)	8,685
25	Non-utility income (Line 10)	<u>3,329</u>
26	Total other income	<u>20,510</u>
27	Deductions:	
28	Compensation of officers (Line 12)	30,000
29	Depreciation (Schedule No. 3) (Line 21b)	32,164
30	Other deductions - non-utility (Line 26)	1,342
31	Net operating loss carryforward (Line 29c)	<u>16,127</u>
32	Total other deductions	<u>79,633</u>
33	Below the line taxable loss	<u>(59,123)</u>
34	Total taxable income (Line 30)	<u>\$ 0</u>
35	Note: All line references refer to page 1 of the Federal Tax Return	
36	attached to this report.	

Forest Utilities, Inc.
 Schedule of Above and Below the Line
 Interest and Depreciation Expense
 For the Taxable Year Ended December 31, 1995
 (Unaudited)

Line
No.

1	<u>Interest expense</u>	
2	All interest expense for 1995 is considered "above the line", since	
3	rate base exceeds debt capital (see Schedule No. 4).	
4	<u>Depreciation expense</u>	
5	A. <u>Components of depreciation</u>	
6	Plant depreciation	\$ 82,372
7	Amortization of pre-1987 CIAC	(54,556)
8	Depreciation of post-1986 CIAC assets	23,605
9	Depreciation of current year CIAC assets	<u>973</u>
10	Total depreciation	<u>\$ 52,394</u>
11	B. <u>Above and below the line depreciation</u>	
12	Above the line:	
13	Net plant depreciation (\$82,372 - \$54,556)	\$ 27,816
14	Used and useful percent	<u>72.73%</u>
15	Used and useful depreciation	<u>20,230</u>
16	Below the line:	
17	Net non-used and useful plant depreciation	
18	(\$27,816 - \$20,230)	7,586
19	Depreciation on post-1986 CIAC assets (1)	<u>24,578</u>
20	Total below the line depreciation	<u>32,164</u>
21	Total depreciation expense	<u>\$ 52,394</u>
22	Note (1): Below the line classification is necessary for the	
23	contributor to receive the benefit of the first year's depreciation	
24	only in the refund calculation shown on Schedule No. 1.	

Forest Utilities, Inc.
 Schedule of Rate Base and Used and Useful Plant
 For the Taxable Year Ended December 31, 1995
 (Unaudited)

Line
 No.

1	<u>Rate Base</u>	
2	Utility plant in service	\$2,934,706
3	Land	26,690
4	Non-used and useful plant (Note 1)	(166,995)
5	Accumulated depreciation	(949,185)
6	CIAC (net of prepaid CIAC of \$291,990)	(2,141,198)
7	Accumulated amortization of CIAC	<u>815,513</u>
8	Rate base	<u>\$ 519,531</u>

9 Note (1): Due to the significant decrease in gallons per day
 10 consumption since 1991, average non-used and useful for the six
 11 years ended December 31, 1995, is calculated as follows:

12	Year	Peak Month	Average Peak Month (gpd)	Capacity of Plant (gpd)	Non-used & Useful
13					
14	1990	March	445,000	500,000	11.00%
15	1991	January	447,000	500,000	10.60%
16	1992	February	360,000	500,000	28.00%
17	1993	February	345,000	500,000	31.00%
18	1994	January	342,000	500,000	31.60%
19	1995	March	<u>243,000</u>	500,000	<u>51.40%</u>
20	Average non-used				
21	& useful		<u>363,667</u>	<u>500,000</u>	<u>27.27%</u>

22	Treatment & disposal equipment	\$ 950,743
23	Accumulated depreciation	<u>(338,368)</u>
24	Net plant	612,375
25	Percent non-used and useful	<u>27.27%</u>
26	Amount non-used and useful	<u>\$ 166,995</u>

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

1548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(904) 877-8888

ROBERT A. ANTISTA
CHRIS H. BENTLEY, P.A.
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN H. JENKINS
ROBERT M. C. ROSE, P.A.
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

March 21, 1994

VIA HAND DELIVERY

MAILING ADDRESS
POST OFFICE BOX 1587
TALLAHASSEE, FLORIDA 32302-1587
TELECOPIER (904) 858-4029

Ms. Jena Price
Division of Water and Wastewater
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL 32399-0850

Re: Forest Utilities, Inc.
1990 through 1992 CIAC Gross-up Reports
Our File No. 25052.03

RECEIVED

MAR 21 1994

Florida Public Service Commission
Division of Water and Wastewater

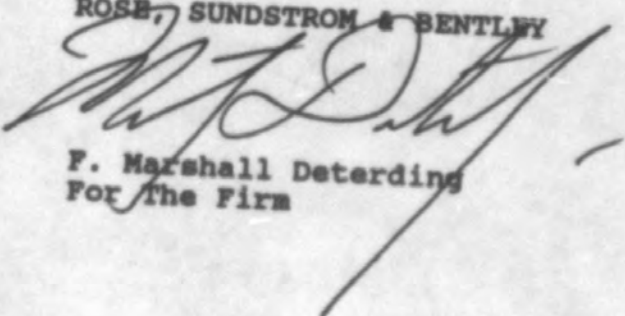
Dear Jena:

Attached is a letter from Bob Nixon, dated March 17, 1994, intended to respond to the inquiries contained in Mr. Hill's letter of February 28, 1994. I believe Mr. Nixon's letter adequately responds to all the questions raised by Mr. Hill's letter.

After review of Mr. Nixon's letter, if you have any further questions, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY


F. Marshall Deterding
For The Firm

FMD/lts
Enclosure

cc: Robert C. Nixon, C.P.A.
Ms. Judy Mallett
Mr. David Swor

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
BRENDA W. McBARRON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
TELECOPIER
(813) 797-3602

March 17, 1994

F. Marshall Deterding, Esq.
Rose, Sundstrom & Bentley, P.A.
2548 Blairstone Pines Drive
Tallahassee, FL 32301

BY FEDERAL EXPRESS

Re: Forest Utilities, Inc. - 1990 through 1992 CIAC Gross-up
Reports

Dear Marty:

The purpose of this letter is to provide you with answers to certain questions raised by staff in their letter to you dated February 28, 1994.

First, Staff requested computation of the marginal rate of 32.04%. This rate was based on the last tax bracket rates applicable to CIAC. For your use, I have enclosed a handwritten schedule detailing the computation. As you will note, the computation assumes that taxable income from operations before CIAC is taxed first at the lowest bracket rate and the tax rate on CIAC is based on the highest bracket rates. brackets.

Second, Staff asked for a breakdown of 1990 and 1991 CIAC between cash and property, and an explanation as to why no first year depreciation was reported. For 1990, all of the \$19,375 of CIAC collected was cash, as indicated in the annual report filed with Commission. At the same time, total plant additions of \$57,493 were made. None of the CIAC collections were used to fund plant additions. Of the total plant additions, \$6,735 related to office furniture and lab equipment. These additions were funded by cash flow from utility operations. The remaining \$50,758 related to sludge drying beds and other modifications required by DER. These were funded through the remaining proceeds of a bank loan obtained in 1989 and an additional loan from an affiliated company. Hence, no first year depreciation was on CIAC assets was reported.

F. Marshall Deterding, Esq.
March 17, 1994
Page Two

In 1991, all of the CIAC of \$29,375 was cash, as shown in the company's annual report. In 1991, the company had \$181,225 of depreciable plant additions. Of this amount, \$11,681 related to general plant office furniture and equipment and laboratory equipment. These additions were funded from cash flow from operations. The remaining \$169,544 of depreciable additions related to construction of a 40 day sludge retention tank required by DER and additional blowers. These additions were funded through additional borrowings from NCNB of Fort Myers. As a result, no first year depreciation is shown for 1991.

Third, Staff alleges there is an apparent discrepancy in Schedule M-1 of the 1992 tax return and the CIAC reported in the supporting schedules. I am unable to find the discrepancy referred to by Staff. On the tax return filed with the gross-up report, an M-1 item of \$30,363 for income subject to tax not recorded on the books is shown. Page 2 of the supporting schedules appended to the tax return shows the detail of this item. Included is \$11,250 of CIAC, \$7,038 of gross-up, and \$186 of tax escrow interest. Also, capital gain and other interest income totalling \$11,889 is shown for a total M-1 difference of \$30,363. As you will note, each of the CIAC related M-1 items are reflected on Schedule No. 1 of the gross-up refund report filed with the Commission. If Staff is referring to something else in the 1992 return, please have them contact me. At this point, I cannot find the discrepancy noted by Staff.

Should you have questions or need additional information, please contact me.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON

Bob

Robert C. Nixon

RCN/cdf

Enclosures

cc: J. Mallett (w/encl.)

Forest Utilities, Inc
Tax on C.I.A.C. + Effective Tax Rate
in Bracket
Year Ended December 31, 1990

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							

Above line taxable income \$ 19035
 Tax @ 15% on operating \$ 7555

 Total C.I.A.C. 32630

 Tax on 16965 @ 15% 145
 Tax on next \$ 25000 @ 25% 6250
 Tax on remaining \$ 6665 @ 34% 2266
 Tax on C.I.A.C. @ bracket rates 9661

 State tax on C.I.A.C. @ 5.5% 1795

 Total State & Fed tax on C.I.A.C. 10456

 Divided by total taxable C.I.A.C. 32630

 Effective State & Fed tax rate 32.04%