



# Public Service Commission

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

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DATE: <sup>October</sup> ~~September~~ 24, 1996  
 TO: Records and Reporting  
 FROM: Jackie Gilchrist *JG*  
 RE: Docket No. 961072-WU - Disposition of Gross-up Funds Collected in 1993 and 1994 by Rolling Oaks Utilities, Inc., in Citrus County.

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

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- LIN \_\_\_\_\_
- OPC \_\_\_\_\_
- RDH \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

11343 OCT 24 96

EPSC-RECORDS/REPORTING

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE

TALLAHASSEE, FLORIDA 32301

(904) 877-6555

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AUG 15 1996

Florida Public Service Commission  
Division of Water and Wastewater

MAILING ADDRESS

POST OFFICE BOX 1587

TALLAHASSEE, FLORIDA 32302-1587

TELECOPIER (904) 886-4028

CHRIS H. BENTLEY, PA.  
JENNIFER S. BRUBAKER  
F. MARSHALL DETERDING  
BRIAN L. DOSTER  
MARTIN S. FRIEDMAN, PA.  
JOHN R. JENKINS, PA.  
STEVEN T. MINDLIN, PA.  
ROBERT M. C. ROSE  
DAREN L. SHIPPY  
WILLIAM E. SUNDBSTROM, PA.  
DIANE D. TREMOR, PA.  
JOHN L. WHARTON

August 14, 1996

VIA HAND DELIVERY

Ms. Jackie Gilchrist  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Re: Rolling Oaks Utilities, Inc.  
Request for Disposition of Gross-up Monies for the Year Ended  
June 30, 1995  
Our File No. 16622.13

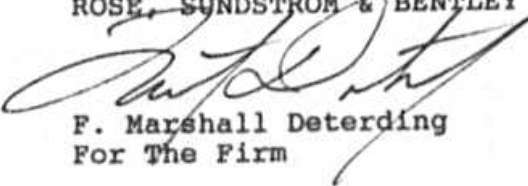
Dear Jackie:

Pursuant to your request dated June 18, 1996, attached are the used and useful depreciation and interest expense calculations prepared by Mr. John Williams, the Utility's outside accountant, for the above-referenced year. These were utilized in calculating the proposed disposition of gross-up monies for the year ended June 30, 1995, as previously submitted. These calculations also follow the same format previously recognized and approved by the Commission in Rolling Oaks prior gross-up filings.

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

Sincerely,

ROSE, SUNDBSTROM & BENTLEY

  
F. Marshall Deterding  
For The Firm

FMD/lts

cc: Mr. Dale Miller  
John Williams, CPA

DOCUMENT NUMBER-DATE

11343 OCT 24 96

FPSC-RECORDS/REPORTING

July 17, 1996

*- Not a preferred methodology  
but reasonable, therefore  
acceptable.*

Mr. F. Marshall Deterding  
Rose, Sundstrom & Bentley  
P.O. Box 1567  
Tallahassee, FL 32302-1567

RE: Rolling Oaks Utilities, Inc.  
CIAC Reports for year ended  
June 30, 1995

Dear Mr. Deterding:

Per the PSC request, please find the following calculations for the nonused and useful depreciation and interest expense for the year June 30, 1995:

	<u>1995 - Refund - 1994</u>
Interest expense:	
Total interest for year per consolidated income tax return (see attached consolidation summary for the year)	\$450,827
Less:	
Non-utility companies interest:	
Beverly Hills Development Corp.	(91,731)
Net interest expense attributable to utility company	359,096
Less: customer deposit interest refunded	---
Total utility interest	<u>\$359,096</u>
Computation of above the line interest expense:	
Rate base interest	
(1995) \$359,096 x 47% (A) =	\$168,775
Less: Nonused and useful interest	
(1995) \$168,775 x 9% (B) =	(15,190)
Total above the line interest	153,585 ✓
Below the line interest	<u>297,242</u> ✓
Total as above	<u>\$450,827</u> ✓

Mr. F. Marshall Deterding  
July 17, 1996  
Page 2

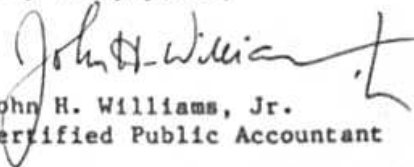
- (A) Rate base interest rate computed by using rate base from the 12/31/94 PSC Report, Page F-4, of \$2,077,985 + \$4,444,153 (total debt of utility company) = 47%.
- (B) Per worksheet, attached for year end 6/30/95.

	<u>1995</u>
Depreciation expense:	
Total depreciation for year per consolidated income tax return	\$320,484 ✓
Less:	
Nonutility companies depreciation	
Beverly Hills Development Corp.	(2,253) ✓
Beverly Hills Waste Mgmt. Corp.	(16,420) ✓
Depreciation expense of utility	<u>301,811</u>
Less: above the line depreciation per CIAC Report	(192,819)
Depreciation on prior years CIAC collections	<u>(89,922)</u>
Nonused and useful depreciation	<u>\$ 19,070</u>
Computation of nonused and useful depreciation:	
(1995) \$301,811 x 9% (B) =	\$ 27,163 ✓
Less nonused and useful portion of depreciation on prior years CIAC collections	
(1995) \$89,922 x 9% (B) =	<u>(8,093) ✓</u>
Nonused and useful depreciation	<u>\$ 19,070 ✓</u>

(B) Per worksheet attached for year end 6/30/95.

If the PSC requires additional information on these computations, please contact me.

Very truly yours,

  
John H. Williams, Jr.  
Certified Public Accountant

JHW/dh

Enclosures

cc: Dale Miller  
Rolling Oaks Corporation



ROU, Inc.  
 Nonused & Useful Plant & Total Rate Base

Invoice Date: 12/31/93  
 Equipment No. 111  
 Invoice No. 111  
 MADE IN U.S.A.

		Nonused & Useful %			Rounded
		Water	Sewer	Average	
<u>Nonused &amp; Useful Plant %</u>					
Per PSC Report	12/31/92	25.97	11.70	18.835	19%
	12/31/93	25.97	11.17	18.570	19%
Per Attached	12/31/94	22.00	7.00	14.500	15%
					9%
<u>Rate Base:</u>		<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Per PSC Report	12/31/93 (pg F-4)	503617	2082870	2586487	
	12/31/94 (pg F-4)	337223	1740762	2077985	
<p>① Since sewer is lower than water, recomputed as follows:</p>					
Water %				Rounded	
	$\frac{337,223}{2,077,985} =$	16.23%	16% .x	22%	3.520
Sewer %		83.77	84% .x	7%	5.880
		<u>100.000%</u>			<u>9.400</u>
					Rounded to 9%

**WASTEWATER**

1	Average daily flow for peak treatment month (1-94)		<u>459,000</u>
2	Add 18 month reserve		
2a	Wastewater customers current year end	<u>4091</u>	
	Wastewater customers 5 yrs ago	<u>3901</u>	
	Difference	<u>190</u>	
2b	Difference divided by 5 (Avg increase in new customers)	<u>38</u>	
2c	Line 2b multiplied by 117.5 gallons	<u>4465</u>	
2d	Line 2c multiplied by 1.5		<u>6,698</u>
3	Add lines 1 and 2		<u>465,698</u>
4	Divide Line 3 by plant capacity (500,000)		<u>0.93</u>
5			<u>1</u>
6	Line 5 less Line 4		<u>0.07</u>
7	Asset Acct 380	<u>1,273,037</u>	
	Accum Dep 380	<u>(394,875)</u>	<u>878,162</u>
8	Line 7 multiplied by line 6		<u>81,471</u>

## WATER

1	Peak pumping day for year	<u>4,834,000</u>
2	Add Fire Flow (county fireflow ordinance or state insurance services office standard fire flow which is 1,500 GPM for 4 hours = 360,000 gallons)	<u>360,000</u>
3	Add lines 1 and 2	<u>5,194,000</u>
4	Divide total of 1 and 2 by total pumping capacity (6,700,000, Incl Well . 10)	<u>78%</u>
5		<u>100%</u>
6	Line 5 less Line 4	<u>22%</u>
7A	Asset Acct 307 <u>421,597</u> Asset Acct 330 <u>386,166</u> <u>807,753</u>	
7B	Accum Dep 307 <u>(127,585)</u> Accum Dep 330 <u>(110,508)</u> <u>(238,093)</u>	
8	Line 7A less 7B	<u>569,660</u>
9	Line 6 multiplies by Line 8	<u>125,325</u>



LAW OFFICES

**ROSE, SUNDBSTROM & BENTLEY**

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE

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MAILING ADDRESS  
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TALLAHASSEE, FLORIDA 32302-1567  
TELECOPIER (904) 866-4029

July 1, 1996

VIA HAND DELIVERY

**RECEIVED**

JUL 01 1996

Florida Public Service Commission  
Division of Water and Wastewater

Ms. Jackie Gilchrist  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Re: Rolling Oaks Utilities, Inc.  
Gross-up Reports for Years 1993 and 1994  
Our File No. 16622.13

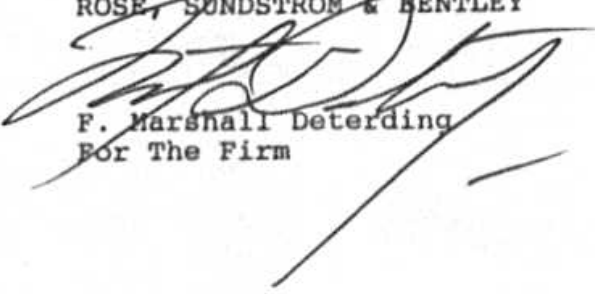
Dear Jackie:

I am in receipt of your letter of June 18, 1996. I have forwarded it on to the Utility and to its outside accountant, Mr. John Williams, CPA, who is handling these gross-up matters. Mr. Williams is currently on his summer vacation and is not expected to return until July 15th. While I do not anticipate any great problems with putting together the information which you have requested in your letter, I do believe that some additional time may be necessary in order to accommodate Mr. Williams' schedule since there is no statutory or other relevant deadline for completion of this matter. We will work to provide you with that information as quickly as possible upon Mr. Williams' return.

Should you have any questions in the meantime, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY

  
F. Marshall Deterding  
For The Firm

FMD/lts  
cc: Mr. Dale Miller  
John Williams, CPA

State of Florida

Commissioners:

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



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

## Public Service Commission

June 18, 1996

Mr. F. Marshall Deterding  
Rose, Sundstrom & Bentley  
Post Office Box 1567  
Tallahassee, Florida 32302-1567

Re: 1993 and 1994 CIAC Reports for Rolling Oaks Utilities, Inc.

Dear Mr. Deterding:

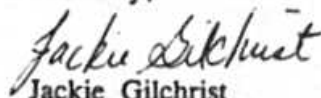
Pursuant to Order No. PSC-96-0686-FOF-WS, all current Contributions-in-aid-of-Construction (CIAC) gross-up cases or any CIAC gross-up cases filed prior to any change in Commission policy, shall be processed under the provisions of Order Nos. 16791 and 23541. Therefore, the letter originally sent to you on February 15, 1996, requesting a response is being resubmitted. Please note, however, that the preliminary refund calculation and the letter originally sent to you on February 15, 1996, regarding this matter is incorrect and should be replaced with this letter and the attached preliminary calculation.

We have reviewed the special reports of Rolling Oaks Utilities, Inc., consisting of Schedule Nos. 1 through 3. A copy of our preliminary analysis of the refund calculation is attached. Based upon our preliminary analysis, we agree with the utility that refunds of \$1,220 and \$3,105 are owed for 1993 and 1994, respectively. Also, we agree with the utility's proposal that it be allowed to credit the refunds for 1993 and 1994 to CIAC. However, before making our final refund analysis, we will need to see the calculations for non-used and useful depreciation and interest expense for the year ended June 30, 1995. If the utility's method of calculating non-used and useful depreciation and interest should impact our preliminary analysis, the refund calculation will be recalculated and resubmitted to you accordingly. The information requested above should be filed no later than July 26, 1996.

Letter to Mr. Deterding  
June 18, 1996  
Page Two

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

Sincerely,

  
Jackie Gilchrist  
Regulatory Analyst

JG:tyg(rolloaks.ltr)

Enclosure

cc: Division of Water and Wastewater (Hill)  
Division of Auditing and Financial Analysis (Causseaux)  
Mr. Robert C. Nixon

SOURCE: (Line references are from CIAC Reports)

	1993	1994
1 Form 1120, Line 30 (Line 15)	\$ 277,811	\$ 575,570
2 Less CIAC (Line 7)	(107,847)	(274,446)
3 Less Gross-up collected (Line 19)	(65,068)	(165,584)
4 Add First Year's Depr on CIAC (Line 8)	2,022	5,146
5 Add/Less Other Effects (Lines 20 & 21)	(437)	(1,239)
6		
7 Adjusted Income Before CIAC and Gross-up	\$ 106,481	\$ 139,447
8		
9 Taxable CIAC (Line 7)	\$ 107,847	\$ 274,446
10 Less first years depr. (Line 8)	\$ (2,022)	\$ (5,146)
11		
12 Adjusted Income After CIAC	\$ 212,306	\$ 408,747
13 Less: NOL Carry Forward	\$ 0	\$ 0
14		
15 Net Taxable CIAC	\$ 105,825	\$ 269,300
16 Combined Marginal state & federal tax rates	37.63%	37.63%
17		
18 Net Income tax on CIAC	\$ 39,822	\$ 101,338
19 Less ITC Realized	0	0
20		
21 Net Income Tax	\$ 39,822	\$ 101,338
22 Expansion Factor for gross-up taxes	1.6033349	1.6033349
23		
24 Gross-up Required to pay tax effect	\$ 63,848	\$ 162,479
25 Less CIAC Gross-up collected (Line 19)	(65,068)	(165,584)
26		
27 (OVER) OR UNDER COLLECTION	\$ (1,220)	\$ (3,105)
28		
29		
30 TOTAL YEARLY REFUND	\$ (1,220)	\$ (3,105)
31		
32		
33 PROPOSED REFUND (excluding interest)	(4,325)	
34		

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY

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MAILING ADDRESS  
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TALLAHASSEE, FLORIDA 32302-1567  
TELECOPIER (904) 856-4029

March 11, 1996

VIA HAND DELIVERY

Ms. Jackie Gilchrist  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

**RECEIVED**

MAR 11 1996

Florida Public Service Commission  
Division of Water and Wastewater

Re: Rolling Oaks Utilities, Inc.  
Gross-up Reports for Years 1993 and 1994  
Our File No. 16622.13

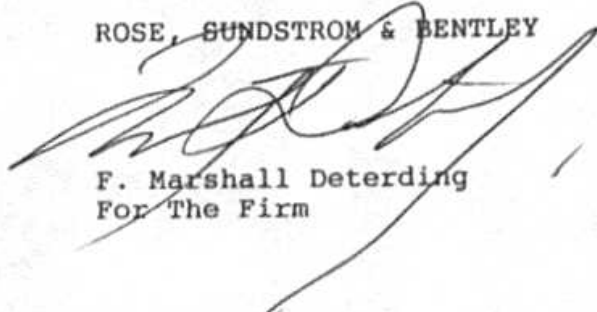
Dear Ms. Gilchrist:

Attached are schedules prepared by the outside CPA for Rolling Oaks Utilities outlining the methodology used for calculation used and useful. I believe these are straightforward and conservative.

I trust with this information we can now finalize the proposed disposition of gross-up funds for this Utility.

Sincerely,

ROSE, SUNDSTROM & BENTLEY

  
F. Marshall Deterding  
For The Firm

FMD/lts

Enclosure

cc: Mr. Charles H. Hill  
Ms. Ann Casseaux  
Mr. Dale Miller  
John Williams, CPA



**WILLIAMS,  
McCRANIE  
& SUTTON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

March 5, 1996

Mr. F. Marshall Deterding  
Rose, Sundstrom & Bentley  
P.O. Box 1567  
Tallahassee, FL 32302-1567

RE: Rolling Oaks Utilities, Inc.  
CIAC Reports for years ended  
June 30, 1994 and 1993

Dear Mr. Deterding:

Per the PSC request, please find the following calculations for the nonused and useful depreciation and interest expense for the respective years June 30, 1994 and 1993:

	<i>Refund-1993</i> <u>1994</u>	<i>Refund-1992</i> <u>1993</u>
Interest expense:		
Total interest for year per consolidated income tax return (see attached consolidation summary for each year)	\$955,357	\$1,119,834
Less:		
Non-utility companies interest:		
Anchor Properties, Inc.	---	(10,629)
Beverly Hills Development Corp.	(374,585)	(377,859)
Net interest expense attributable to utility company	580,772	731,346
Less: customer deposit interest refunded	---	(715)
 Total utility interest	 <u>\$580,772</u>	 <u>\$ 730,631</u>
 Computation of above the line interest expense:		
Rate base interest		
(1993) \$730,631 x 35% (A) =		\$ 255,721
(1994) 580,772 x 34% (B) =	\$197,462	
Less: Nonused and useful interest		
(1993) 255,721 x 15% (C) =		(38,358)
(1994) 197,462 x 14% (D) =	(27,645)	
Total above the line interest	<u>169,817</u>	<u>217,363</u>

Mr. F. Marshall Deterding  
 March 5, 1996  
 Page 2

	<u>1994</u>	<u>1993</u>
Below the line interest	785,540	902,471
Total as above	<u>\$955,357</u>	<u>\$1,119,834</u>

- (A) Rate base interest rate computed by using rate base from the 12/31/92 PSC Report, Page F-4, of \$2,694,739 ÷ \$7,600,000 (total debt of utility company) = 35%.
- (B) Rate base interest rate computed by using rate base from the 12/31/93 PSC Report, Page F-4 of \$2,586,487 ÷ \$7,526,042 (average of total debt of utility company for the year) = 34%.
- (C) Per worksheet attached for year end 6/30/93.
- (D) Per worksheet attached for year end 6/30/94.

	<u>1994</u>	<u>1993</u>
Depreciation expense:		
Total depreciation for year per consolidated income tax return	\$318,628	\$318,671
Less:		
Nonutility companies depreciation		
Beverly Hills Development Corp.	(4,768)	(20,007)
Beverly Hills Waste Mgmt. Corp.	<u>(16,539)</u>	<u>(16,820)</u>
Depreciation expense of utility	297,321	281,844
Less: above the line depreciation per CIAC Report	(184,015)	(172,125)
Depreciation on prior years CIAC collections	<u>(83,350)</u>	<u>(79,332)</u>
Nonused and useful depreciation	<u>\$ 29,956</u>	<u>\$ 30,387</u>
Computation of nonused and useful depreciation:		
(1993) \$281,844 x 15% (C) =		\$ 42,277
(1993) 297,321 x 14% (D) =	\$ 41,625	
Less nonused and useful portion of depreciation on prior years CIAC collections		
(1993) \$79,332 x 15% (C) =		(11,890)
(1994) 83,350 x 14% (D) =	<u>(11,669)</u>	
Nonused and useful depreciation	<u>\$ 29,956</u>	<u>\$ 30,387</u>

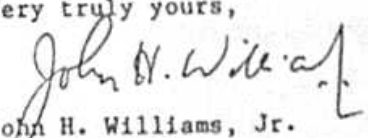
Mr. F. Marshall Deterding  
March 5, 1996  
Page 3

(C) Per worksheet attached for year end 6/30/93.

(D) Per worksheet attached for year end 6/30/94.

If the PSC requires additional information on these computations,  
please contact me.

Very truly yours,

  
John H. Williams, Jr.  
Certified Public Accountant

JHW/dh

Enclosures

cc: Dale Miller  
Rolling Oaks Utilities, Inc.



416 6/30/93

Approved by: [Signature] Date: 5/3/94  
 Prepared by:

1	2	3	Measured & Useful %			4	5	6
			Water	Sewer	Average			
1	Measured & Useful Plant %							
2								
3	Per PSC Report 12/31/90		12.22	22.75	17.985	H	18%	
4								
5	└ 12/31/91 (PSC-4)		11.03	22.70	15.865	H	16%	
6								
7	└ 12/31/92		25.97	11.70	18.835	X	19%	
8							15% ①	
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20	Ret. Cost		Water	Sewer	Total			
21								
22	Per PSC Report 12/31/91 (PSC-4)		685363	2063691	2749054	F		
23								
24	└ 12/31/92 (PSC-4)		519421	2175318	2694739	F		
25								
26								
27								
28								
29								
30								
31								
32	① Since sewer lines have water measured as follows:							
33	Water %							
34	519,421 / 2,694,739 = 19.27%						5,194	
35								
36	Sewer		89.73%				736	
37			100.00%				14,554	
38							Rounded 18%	
39								
40								

		Nonused & Useful		%	
		Water	Sewer	Average	Rounded
Nonused & Useful Plant %					
Per PSC Report	12/31/91	9.03	22.70	15.865	16%
	12/31/92	25.97	11.70	18.835	19%
	12/31/93 (pg F-4)	25.97	11.11	18.570	17%
					14% <sup>①</sup>
Rate Base		Water	Sewer	Total	
Per PSC Report	12/31/92 (pg F-4)	519421	2175318	2694739	
	12/31/93 (pg F-4)	503617	2082870	2586487	
① Since sewer is lower than water, recomputed as follows:					
Water %				Rounded	
	$\frac{503,617}{2,586,487} = 19.47\%$			20% × 25.97%	= 5.194
Sewer %		$\frac{8053}{100.00\%}$		80% × 11.17%	= 8.936
					14.130
					Rounded to 14%

ANCHOR PROPERTIES INC.  
CONSOLIDATION  
54-2121918  
JUNE 30, 1994

	ANCHOR PROPERTIES, INC	BEVERLY HILLS DEV CORP	BEVERLY HILLS HOMES INC	ROLLING OAKS UTILITIES INC	BEVERLY HILLS WASTE MGT CORP	BEVERLY HILLS MGT CORP	ELIMINATIONS	CONSOLIDATED TOTALS
<b>GROSS INCOME</b>								
Gross receipts	\$ -0-	5628,804	\$102,263	\$1,918,616	\$397,553	\$-0-	\$ (26,400)	\$ 3,020,827
Cost of goods sold	-0-	143,726	-0-	-0-	-0-	-0-	-0-	143,726
Gross profit	-0-	485,078	102,263	1,918,616	397,553	-0-	(26,400)	2,877,110
Dividends	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest	1,662	178,616	-0-	303,191	1,930	-0-	(289,414)	197,985
Gross rents	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Gross royalties	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Capital gain	-0-	-0-	-0-	-0-	1,851	-0-	-0-	1,851
Gain (loss) from Form 4797	-0-	745	-0-	-0-	6,161	-0-	-0-	6,906
Other income	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL INCOME</b>	<u>3,662</u>	<u>664,439</u>	<u>102,263</u>	<u>2,221,807</u>	<u>407,495</u>	<u>-0-</u>	<u>(315,814)</u>	<u>3,083,852</u>
<b>DEDUCTIONS</b>								
Comp of officers	-0-	-0-	-0-	60,000	-0-	-0-	-0-	60,000
Salaries	-0-	55,497	-0-	-0-	-0-	-0-	-0-	55,497
Repairs	19,723	4,180	-0-	8,926	-0-	-0-	-0-	32,829
Bad debts	-0-	-0-	-0-	7,101	-0-	-0-	-0-	7,101
Depreciation	3,087	-0-	-0-	-0-	-0-	-0-	-0-	3,087
Taxes	225	45,152	-0-	137,049	12	-0-	-0-	182,438
Interest	-0-	374,585	-0-	870,186	-0-	-0-	(289,414)	955,357
Contributions	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Depreciation	-0-	4,768	-0-	297,321	16,539	-0-	-0-	318,628
Depletion	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Advertising	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Pension	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Employee benefits	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other deductions	5,815	155,385	-0-	1,130,354	364,394	-0-	-0-	1,629,548
<b>TOTAL DEDUCTIONS</b>	<u>28,850</u>	<u>639,567</u>	<u>-0-</u>	<u>2,510,937</u>	<u>380,945</u>	<u>-0-</u>	<u>(26,400)</u>	<u>3,244,485</u>
Taxable income before NOL deduction	\$ (25,188)	\$ 24,872	\$102,263	\$ (289,130)	\$ 26,550	\$-0-	\$-0-	\$ (160,633)
NOL deduction								(1,752,322)
Taxable income								<u>\$ (1,912,955)</u>



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TELECOPIER (904) 656-4029

November 22, 1995

VIA HAND DELIVERY

Mr. Charles H. Hill, Director  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32301

Re: Rolling Oaks Utilities, Inc.  
Proposed Disposition of Gross-up Funds  
Our File No. 16622.13

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 June 30, 1995. You will note that the actual gross-up collected exceeds the Utility calculated tax on CIAC by a very immaterial amount of \$3,105. Because the administrative cost of making this refund to the 255 developers (less than \$12.18 per developer), will exceed the refund itself, the Utility is requesting that it be authorized to book this amount as CIAC.

In accordance with the 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,

ROSE, SUNDSTROM & BENTLEY

  
F. Marshall Deterding

FMD/lts

Enclosures

cc: Ms. Blanca S. Bayo  
Mr. Dale Miller  
Mr. Don Phillips  
John H. Williams, Jr., CPA

ROLLING OAKS UTILITIES, INC.  
PROPOSED REFUND OF 1994 CIAC TAX IMPACT COLLECTIONS  
AND REPORTING REQUIREMENTS OF ORDER NO. 16971  
YEAR ENDED JUNE 30, 1995  
(UNAUDITED)

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2	SCHEDULE OF ABOVE AND BELOW THE LINE TAXABLE INCOME (LOSS)	3
3	SCHEDULE OF ABOVE AND BELOW THE LINE DEPRECIATION EXPENSE	4

ATTACHMENTS

- (1) Partial copies of Federal and State income tax returns for the year ended June 30, 1995:
- (a) Page 1 of U. S. Corporation Income Tax Return and supporting consolidating schedules.
  - (b) Page 1 of State of Florida Corporation Income Tax Return.

ACCOUNTANTS' REPORT

Officers and Directors  
Rolling Oaks Utilities, Inc.  
Beverly Hills, Florida

At your request, we have prepared the accompanying Special Report of Rolling Oaks Utilities, Inc. consisting of schedules one through three. 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 June 30, 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.

*Williams, McCranie & Sutton, P.A.*

Williams, McCranie & Sutton, P.A.

Crystal River, Florida  
October 13, 1995



ROLLING OAKS UTILITIES, INC.  
 SCHEDULE OF TAX ON CIAC AND PROPOSED REFUND  
 FOR THE TAX YEAR ENDED JUNE 30, 1995  
 (UNAUDITED)

LINE  
 NO.

1	Form 1120, Line 30 (including CIAC & gross-up)	
2	-above the line taxable income	\$ 575,570
3	Less CIAC	(274,446)
4	Less gross-up collected	(165,584)
5	Add first year's depreciation on CIAC	5,146
6	Add (less) other effects-interest on gross-up	<u>(1,239)</u>
7	Adjusted income before CIAC and gross-up	139,447
8	Taxable CIAC	274,446
9	Taxable CIAC resulting in a tax liability	274,446
10	Less first year's depreciation	<u>(5,146)</u>
11	Net taxable CIAC	269,300
12	Effective state and federal tax rate	x <u>37.63%</u>
13	Net income tax on CIAC	101,338
14	Less ITC realized	<u>0</u>
15	Net income tax	101,338
16	Expansion factor for gross-up taxes	x <u>1.603334936</u>
17	Gross-up required to pay tax effect	162,479
18	Less CIAC Gross-up collected	<u>(165,584)</u>
19	Proposed refund (excluding interest)	<u>\$ 3,105</u>
20	Note 1 - The size of the proposed refund is small. The Company	
21	proposes to contribute the above refund to CIAC rather than refund	
22	this small amount to 255 developers (less than \$12.18 per developer).	

READ THE ACCOUNTANTS' REPORT.

SCHEDULE NO. 1

ROLLING OAKS UTILITIES, INC.  
 SCHEDULE OF ABOVE AND BELOW THE LINE TAXABLE INCOME (LOSS)  
 FOR THE TAX YEAR ENDED JUNE 30, 1995  
 (UNAUDITED)

LINE NO.		
1	<u>Above the line taxable income</u>	
2	Gross receipts/sales (Line 1c)	\$ 1,747,670
3	Deductions:	
4	Interest (Line 18)	153,585
5	Depreciation (Schedule 3) (Line 21b)	192,819
6	Operations	168,007
7	Other deductions (Line 26)	<u>1,098,958</u>
8	Total deductions	<u>1,613,369</u>
9	Taxable income before CIAC	<u>134,301</u>
10	CIAC:	
11	Taxable CIAC (Line 1c)	274,446
12	Gross-up (Line 1c)	165,584
13	Interest on gross-up (Line 5)	<u>1,239</u>
14	Total CIAC	<u>441,269</u>
15	Above the line taxable income	<u>575,570</u>
16	<u>Below the line taxable income</u>	
17	Gross receipts/sales (Line 1c)	687,684
18	Interest (Line 5)	96,483
19	Other income (loss) (Line 4, 9 and 10)	<u>3,297,772</u>
20	Total below the line income	<u>4,081,939</u>
21	Deductions:	
22	Interest (Line 18)	297,242
23	Depreciation (Line 21b)	127,665
24	Non-utility operations	232,072
25	Non-utility other deductions (Line 26)	<u>535,203</u>
26	Total deductions	<u>1,192,182</u>
27	Below the line taxable income (loss)	<u>2,889,757</u>
28	Taxable income before net operating loss (Line 28)	3,465,327
29	Net operating loss (Line 29a)	<u>(1,912,955)</u>
30	Taxable income (Line 30)	<u>\$1,552,372</u>

31 Note 1 - Rolling Oaks Utilities, Inc. is part of the consolidated  
 32 group of companies of Anchor Properties, Inc. for Federal and  
 33 State income tax purposes. Consequently, the taxable income  
 34 impact is presented on a consolidated basis. Above the line  
 35 taxable income represents the activity of Rolling Oaks Utilities,  
 36 Inc. adjusted for below the line interest expense, depreciation  
 37 and disallowed expenses. All line references are to Form 1120,  
 38 page 1, and supporting consolidation schedules attached to this  
 39 report.

ROLLING OAKS UTILITIES, INC.  
 SCHEDULE OF ABOVE AND BELOW THE LINE DEPRECIATION EXPENSE  
 FOR THE TAX YEAR ENDED JUNE 30, 1995  
 (UNAUDITED)

LINE NO.		
1	I	<u>Components of depreciation:</u>
2		Plant depreciation \$187,673
3		Depreciation on current year CIAC collections 5,146
4		Depreciation on prior year CIAC collections 89,922
5		Nonused and useful depreciation 19,070
6		Non-utility company depreciation <u>18,673</u>
7		Total depreciation (Line 21b) <u>\$320,484</u>
8	II	<u>Above and below the line depreciation:</u>
9		Above the line:
10		Plant depreciation \$187,673
11		Depreciation on current CIAC collections <u>5,146</u>
12		Total above the line depreciation <u>192,819</u>
13		Below the line:
14		Depreciation on prior years CIAC collections 89,922
15		Nonused and useful depreciation 19,070
16		Non-utility company depreciation <u>18,673</u>
17		Total below the line depreciation <u>127,665</u>
18		Total depreciation expense (line 21b) <u>\$320,484</u>

19 Note 1 - Depreciation on prior years CIAC collections has been  
 20 classified below the line, since the tax benefits of such depre-  
 21 ciation will be returned to the rate payers through the  
 22 normalization process. Below the line classification is  
 23 necessary for the contributor to receive the benefit of first  
 24 year's depreciation only, in the refund calculation shown on  
 25 Schedule No. 1.

LAW OFFICES  
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June 19, 1995

VIA HAND DELIVERY

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Ms. Blanco S. Bayo --  
Director of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Rolling Oaks Utilities, Inc.  
Proposed Disposition of Gross-up Funds  
Our File No. 16622.13

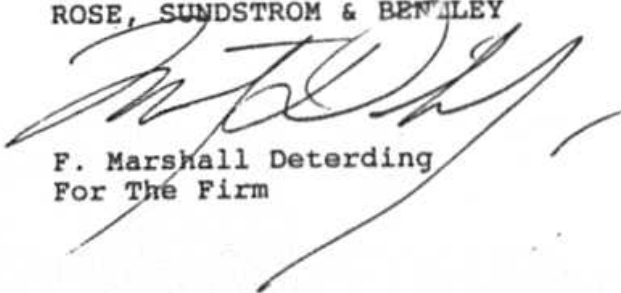
Dear Ms. Bayo:

Attached is one copy of tax return information submitted on behalf of Rolling Oaks Utilities, Inc., to justify its proposed disposition of gross-up funds collected during the tax year ended June 30, 1994. In accordance with correspondence 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 an 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  
Mr. Dale Miller  
Mr. Don Phillips  
John H. Williams, Jr., CPA

ROLLING OAKS UTILITIES, INC.  
PROPOSED REFUND OF 1993 CIAC TAX IMPACT COLLECTIONS  
AND REPORTING REQUIREMENTS OF ORDER NO. 16971  
YEAR ENDED JUNE 30, 1994  
(UNAUDITED)

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ATTACHMENTS

- (1) Partial copies of Federal and State income tax returns for the year ended June 30, 1994:
  - (a) Page 1 of U. S. Corporation Income Tax Return and supporting consolidating schedules.
  - (b) Page 1 of State of Florida Corporation Income Tax Return.

ACCOUNTANTS' REPORT

Officers and Directors  
Rolling Oaks Utilities, Inc.  
Beverly Hills, Florida

At your request, we have prepared the accompanying Special Report of Rolling Oaks Utilities, Inc. consisting of schedules one through three. 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 June 30, 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.

*Williams, McCranie & Sutton, P.A.*

Williams, McCranie & Sutton, P.A.

Crystal River, Florida  
May 15, 1995

ROLLING OAKS UTILITIES INC.  
 SCHEDULE OF TAX ON CIAC AND PROPOSED REFUND  
 FOR THE TAX YEAR ENDED JUNE 30, 1994  
 (UNAUDITED)

LINE NO.		
1	Form 1120, Line 30 (including CIAC & gross-up)	
2	-above the line taxable income	\$ 277,811
3	Less CIAC	(107,847)
4	Less gross-up collected	(65,068)
5	Add first year's depreciation on CIAC	2,022
6	Add (less) other effects-interest on gross-up	<u>(437)</u>
7	Adjusted income before CIAC and gross-up	106,481
8	Taxable CIAC	107,847
9	Taxable CIAC resulting in a tax liability	107,847
10	Less first year's depreciation	<u>(2,022)</u>
11	Net taxable CIAC	105,825
12	Effective state and federal tax rate	x <u>37.63%</u>
13	Net income tax on CIAC	39,822
14	Less ITC realized	<u>0</u>
15	Net income tax	39,822
16	Expansion factor for gross-up taxes	x <u>1.603334936</u>
17	Gross-up required to pay tax effect	63,848
18	Less CIAC Gross-up collected	<u>(65,068)</u>
19	Proposed refund (excluding interest)	<u>\$ 1,220</u>
20	Note 1 - The size of the proposed refund is small. The Company	
21	proposes to contribute the above refund to CIAC rather than refund	
22	this small amount to 96 developers (less than \$12.71 per developer).	



ROLLING OAKS UTILITIES, INC.  
 SCHEDULE OF ABOVE AND BELOW THE LINE TAXABLE INCOME (LOSS)  
 FOR THE TAX YEAR ENDED JUNE 30, 1994  
 (UNAUDITED)

LINE NO.		
1	<u>Above the line taxable income</u>	
2	Gross receipts/sales (Line 1c)	\$ 1,745,701
3	Deductions:	
4	Interest (Line 18)	169,817
5	Depreciation (Schedule 3) (Line 21b)	184,015
6	Operations	164,780
7	Other deductions (Line 26)	<u>1,122,630</u>
8	Total deductions	<u>1,641,242</u>
9	Taxable income before CIAC	<u>104,459</u>
10	CIAC:	
11	Taxable CIAC (Line 1c)	107,847
12	Gross-up (Line 1c)	65,068
13	Interest on gross-up (Line 5)	437
14	Total CIAC	<u>173,352</u>
15	Above the line taxable income	<u>277,811</u>
16	<u>Below the line taxable income</u>	
17	Gross receipts/sales (Line 1c)	1,102,220
18	Interest (Line 5)	197,548
19	Other income (loss) (Line 8 and 9)	8,757
20	Total below the line income	<u>1,308,525</u>
21	Deductions:	
22	Interest (Line 18)	785,540
23	Depreciation (Line 21b)	134,613
24	Non-utility operations	319,898
25	Non-utility other deductions (Line 26)	506,918
26	Total deductions	<u>1,746,969</u>
27	Below the line taxable income (loss)	( <u>438,444</u> )
28	Taxable income (Loss) before net operating loss (Line 28)	(160,633)
29	Net operating loss (Line 29a)	<u>(1,752,322)</u>
30	Taxable income (loss) (Line 30)	\$ <u>(1,912,955)</u>

31 Note 1 - Rolling Oaks Utilities, Inc. is part of the consolidated  
 32 group of companies of Anchor Properties, Inc. for Federal and  
 33 State income tax purposes. Consequently, the taxable income  
 34 impact is presented on a consolidated basis. Above the line  
 35 taxable income represents the activity of Rolling Oaks Utilities,  
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 38 page 1, and supporting consolidation schedules attached to this  
 39 report.

ROLLING OAKS UTILITIES INC.  
 SCHEDULE OF ABOVE AND BELOW THE LINE DEPRECIATION EXPENSE  
 FOR THE TAX YEAR ENDED JUNE 30, 1994  
 (UNAUDITED)

LINE NO.		
1	I	<u>Components of depreciation:</u>
2		Plant depreciation \$181,993
3		Depreciation on current year CIAC collections 2,022
4		Depreciation on prior year CIAC collections 83,350
5		Nonused and useful depreciation 29,956
6		Non-utility company depreciation <u>21,307</u>
7		Total depreciation (Line 21b) <u>\$318,628</u>
8	II	<u>Above and below the line depreciation:</u>
9		Above the line:
10		Plant depreciation \$181,993
11		Depreciation on current CIAC collections <u>2,022</u>
12		Total above the line depreciation <u>184,015</u>
13		Below the line:
14		Depreciation on prior years CIAC collections 83,350
15		Nonused and useful depreciation 29,956
16		Non-utility company depreciation <u>21,307</u>
17		Total below the line depreciation <u>134,613</u>
18		Total depreciation expense (line 21b) <u>\$318,628</u>

19 Note 1 - Depreciation on prior years CIAC collections has been  
 20 classified below the line, since the tax benefits of such depre-  
 21 ciation will be returned to the rate payers through the  
 22 normalization process. Below the line classification is  
 23 necessary for the contributor to receive the benefit of first  
 24 year's depreciation only, in the refund calculation shown on  
 25 Schedule No. 1.