

REQUEST TO ESTABLISH DOCKET  
(PLEASE TYPE)

Date 01/23/97

Docket No. 970113 - WLS

1. Division Name/Staff Name Water and Wastewater/Gilchrist

2. OPR WAW

3. OCR LEG, AFAD

4. Suggested Docket Title Disposition of CIAC Gross-up funds collected by  
Lake Groves Utilities, Inc. in Lake county.

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

- A. Provide NAMES ONLY for regulated companies or ACRONYMS ONLY regulated industries,  
as shown in Rule 25-22.104, F.A.C.  
B. Provide COMPLETE name and address for all others. (Match representatives to clients.)

1. Parties and their representatives (if any)

Mr. Lester Mandell \_\_\_\_\_

Lake Groves Utilities, Inc. \_\_\_\_\_

P.O. Box 915505 \_\_\_\_\_

Longwood, FL 32791 \_\_\_\_\_

2. Interested Persons and their representatives (if any)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Check one:

Documentation is attached.

Documentation will be provided with recommendation.



**RECEIVED**

OCT 28 1996

Florida Public Service Commission  
Division of Water and Wastewater

OCT 28 5 22 PM '96  
MAIL ROOM

October 24, 1996

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

Re: Annual CIAC Report for Lake Groves Utilities, Inc.

Dear Ms. McCaskill:

Enclosed please find the Annual CIAC Report and other required information for the above named Utility for the year ended December 31, 1995. Please note that there was no CIAC collected during 1995 and therefore, no refund is due for this year.

If you have any questions or need further information, please call Gina Grasty at (407) 869-0300.

Sincerely,

Lester N. Mandell  
President

LNM/gmg

Enclosures

**CIAC REPORT**  
 FOR TAX RETURN YEAR ENDED December 31, 1995

COMPANY: Lake Groves Utilities, Inc.

	<u>TOTAL</u> <u>COMPANY</u>	<u>NON</u> <u>JURISDICTIONAL</u>	<u>JURISDICTIONAL</u>
1. Total CIAC	\$ 0	\$	\$ 0
2. Total Connection Fees	( )	( )	( )
3. Total Installation Fees	( )	( )	( )
4. Total Prepaid Connection Fees (not in (2))	( )	( )	( )
5. Total Tap-in Fees	( )	( )	( )
6. Total Jack & Bore Fees	( )	( )	( )
7. CIAC Taxable Because of Amendment to Section 118	\$ 0	\$	\$ 0
8. Depreciation on (7)	( 0 )	( )	( 0 )
9. Taxable Income Effect of (7)	<u>\$ 0</u>	<u>\$</u>	<u>\$ 0</u>
10. Form 1120, Line 11 (See attached detail)	\$ 184,589	\$	\$ 184,589
11. LESS: Form 1120, Line 27	( 517,244 )	( )	( 517,244 )
12. Form 1120, Line 28	\$ (332,655)	\$	\$ (332,655)
13. LESS: Form 1120, Line 29a	( )	( )	( )
14. LESS: Form 1120, Line 29b	( )	( )	( )
15. Form 1120, Line 30	\$ (332,655)	\$	\$ (332,655)
16. LESS: Net CIAC Taxable Because of TRA '86 (from Line (9))	( )	( )	( )
17. PLUS(LESS): Other CIAC Effects of TRA '86 (attached)	_____	_____	_____
18. Adjusted Form 1120, Line 30	<u>\$ (332,655)</u>	<u>\$</u>	<u>\$ (332,655)</u>
Current Combined Federal & State Tax Rate <u>0</u> %			
19. CIAC Gross-up Collections	\$ 0	\$	\$ 0
20. CIAC Gross-up Refunds	( 0 )	( )	( 0 )
21. Interest on gross-up collections, net of tax	0	_____	0
22. Net CIAC Gross-up To Be Applied To Line (9)	<u>\$ 0</u>	<u>\$</u>	<u>\$ 0</u>
CIAC Gross-up Rate Used <u>0</u> %			

\$0 TAXABLE CIAC COLLECTED DURING 1995

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF ABOVE AND BELOW THE LINE TAXABLE INCOME  
 12/31/95

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ABOVE THE LINE OPERATIONS:  
 OPERATING REVENUES

Form 1120, Line 11	184,589 (A), ***
LESS Below the Line Amounts:	
Interest Income	(4,022)
Meter Income	(7,303)
Miscellaneous	(50)
Total Above the Line Operating Revenue	173,224

OPERATING EXPENSES

Form 1120, Line 27	517,244
LESS Below the Line Amounts:	
Depreciation expense on non-used & useful plant	(50,692) See Attached Sch. I
Miscellaneous expenses on non-used & useful plant	(75,018)
Interest Expense on non rate base debt	(208,882) See Attached Sch. II
Total Above the Line Operating Expenses	182,652

Above the Line Taxable Income/(loss)	(9,428) Carried back to 1992 CIAC gross up report
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BELOW THE LINE OPERATIONS:

Interest Income	4,022
Meter Income	7,303
Miscellaneous	50
Total Below the Line Revenue	11,365

Depreciation expense on non-used & useful plant	50,692	See Attached Sch. I
Miscellaneous expenses on non-used & useful plant	75,018	
Interest Expense on non rate base debt	208,882	See Attached Sch. II

Total Below the Line Expenses	334,592
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Below the Line Taxable Income/(loss)	(323,227)
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TAXABLE INCOME/(LOSS) PER TAX RETURN

(332,655) (See note A)

(A) Line 11 per 1995 federal tax return equals \$200,489. \$75,900 of gross up tax income should have been included in 1994 instead of 1995. Therefore, revised Line 11 income is \$184,589. (1994 gross up report reflects an additional \$75,900 of income on Line 11). Revised taxable loss for 1995 is \$(332,655).

\*\*\* Includes CIAC:

	WATER	SEWER	TOTAL
CIAC INCOME - CASH	0	0	0
CIAC INCOME - BACKFLOW DEVICES	3,348		3,348
CIAC INCOME - METERS	7,303		7,303
CIAC GROSS-UP INCOME	0	0	0
Total CIAC Collected	10,651	0	10,651

CALCULATION OF CIAC GROSS-UP OVER/UNDER COLLECTION  
 SUPPLEMENT TO THE CIAC REPORT  
 LAKE GROVES UTILITIES, INC.  
 DECEMBER 31, 1995

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DECEMBER 31, 1995

SUGGESTED  
 FORMAT

1. Above the Line Taxable Income	(9,428)	
2. Less Taxable CIAC (excludes Meters)	(3,348)	
3. Less Gross-up collected	0	
4. Add first years depreciation on CIAC	65	
5. Deduct interest on CIAC	(2,500)	
6.		
7. Adjusted income before CIAC and Gross-up	(15,211)	
8.		
9. Taxable CIAC	3,348	
10. Less CIAC ineligible for gross-up	0	
11.		
12. Taxable CIAC resulting in a tax liability	(11,863)	
13. Less first years depreciation	(65)	
14.		
15. Net taxable CIAC	(11,828)	
16. Incremental State and Federal Tax Rate	0.00%	See Schedule III
17.		
18. Net Income Tax on CIAC	0	
19. Less ITC Realized	0	
20.		
21. Net Income Tax	0	
22. Expansion Factor for Gross-up Taxes	1.00000%	
23.		
24. Gross-up required to pay tax effect	0	
25. Less Gross-up Collected	0	
26.		
27. (OVER) OR UNDER COLLECTION	0	

NOTES

CIAC IS DETAILED AS FOLLOWS:

CIAC, EXCLUDING METERS	3,348
METERS	7,303
GROSS-UP	0
TOTAL TAXABLE CIAC AS REPORTED ON FORM 112	10,651
LESS METERS	7,303
LESS GROSS-UP	0
ADJUSTED LINE 2 AMOUNT	3,348

SCHEDULE I  
 LAKE GROVES UTILITIES, INC.  
 PLANT ANALYSIS & ALLOCATION OF DEPRECIATION EXPENSE  
 FOR CIAC GROSS-UP RETENTION PURPOSES  
 DECEMBER 31, 1994 & 1995

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	WATER		SEWER		TOTAL WATER & SEWER
	1994	1995	1994	1995	
1) UTILITY PLANT IN SERVICE (excludes land, includes CWIP)	1,105,000	1,112,511	913,312	915,315	
2) AVERAGE UTILITY PLANT IN SERVICE		1,109,239		914,313	
3) ANNUAL TAX DEPRECIATION EXPENSE		39,269		36,514	
4) WEIGHTED AVERAGE USED & USEFUL %		43.31%		22.14%	
5) WEIGHTED AVERAGE NON-USED & USEFUL		56.69%		77.86%	
		100.00%		100.00%	
6) ABOVE THE LINE DEPRECIATION EXPENSE		17,007		8,083	25,090
7) BELOW THE LINE DEPRECIATION EXPENSE		22,262		28,430	50,692
8) TOTAL ANNUAL DEPRECIATION EXPENSE (TAX)		39,269		36,513	75,782

SCHEDULE I

SCHEDULE II  
 LAKE GROVES UTILITIES, INC.  
 RATE BASE SUMMARY & ALLOCATION OF INTEREST EXPENSE  
 FOR CIAC GROSS-UP RETENTION PURPOSES  
 DECEMBER 31, 1994 & 1995

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	WATER		SEWER		TOTAL WATER & SEWER
	1994	1995	1994	1995	
1) RATE BASE PER CIAC REFUND PURPOSES	283,299	292,499	143,199	193,999	
2) AVERAGE RATE BASE PER CIAC REFUND PURPOSES		332,881		168,588	501,467
3) ANNUAL INTEREST EXPENSE AND AMORTIZATION OF LOAN FEES		125,375		124,240	
4) WEIGHTED COST OF DEBT CAPITAL		8.12%		8.12%	See Attached Sch. IV-A
5) ABOVE THE LINE INTEREST EXPENSE/LOAN FEES		27,039		13,894	40,733
6) BELOW THE LINE INTEREST EXPENSE/LOAN FEES		98,336		110,346	208,682
7) TOTAL ANNUAL INTEREST EXPENSE/LOAN FEES		125,375		124,240	249,615

SCHEDULE III  
 LAKE GROVES UTILITIES, INC.  
 CALCULATION OF INCREMENTAL TAX RATE  
 12/31/95

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	(A) PER TAX RETURN	(B) TAXABLE CIAC	(C) EXCLUDING CIAC	(D) TAX DIFFERENCE (A)-(C)
1995				
Florida Taxable Income	(256,755)	(3,348)	(260,103)	
Florida Tax	0		0	0
Marginal State Tax Rate (FL tax/ FL tax. income)	0.00%		0.00%	
Federal Taxable Income (per tax return)	(256,755)		(260,103)	
Federal Tax	0		0	0
Marginal Federal Tax Rate	0.00%		0.00%	
Combined Federal & State Taxes	0		0	0
Combined Federal & State Tax Rate	0.00%		0.00%	
Incremental Federal & State Tax Rate				0.00% (D)/(B)

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



SCHEDULE IV  
 LAKE GROVES UTILITIES, INC.  
 CALCULATION OF WEIGHTED AVERAGE COST OF DEBT  
 DECEMBER 31, 1995

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	LT DEBT 12/31/94 (Annual Report Page F-4)	LT DEBT 12/31/95 (Annual Report Page F-4)	1994/1995 AVERAGE LT DEBT
LONG-TERM DEBT			
LAKE HOLDING, INC.	2,128,534	2,083,177	2,105,856
LAKE HOLDING, INC.	252,000	293,471	272,736
FUNB-EQUIPMENT	0	14,000	7,040
	<u>2,380,534</u>	<u>2,390,728</u>	<u>2,385,631</u>

	1994/1995 AVERAGE LT DEBT	PERCENT OF CAPITAL	ACTUAL INTEREST RATES	WEIGHTED AVERAGE RATE
LONG-TERM DEBT				
LAKE HOLDING, INC.	2,105,856	88.27%	8.14%	7.19%
LAKE HOLDING, INC.	272,736	11.43%	8.00%	0.91%
FUNB-EQUIPMENT	7,040	0.30%	10.00%	0.03%
	<u>2,385,631</u>	<u>100.00%</u>		<u>8.13%</u>

SCHEDULE IV

SCHEDULE IV-A  
 LAKE GROVES UTILITIES, INC.  
 INTEREST EXPENSE - ABOVE & BELOW THE LINE  
 DECEMBER 31, 1995  
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 1995

	Average	Specific Adjustment	Balance	Pro-rata Adjustment	Average Capital Supporting Ratio base	Weight	Average Cost Rate	Weighted Cost
Common Stock	(563,641)	563,641	0	0	0	0.000000		
Premium on Common Stock	2,305,631		2,305,631	(1,620,310)	795,321	0.999697	0.081266	0.081000
Retained Earnings	7,927		7,927	(5,320)	2,536	0.003303	0.060000	0.000186
Reacquired stock	1,829,867	563,641	2,393,538	(1,825,660)	797,856	1.000000	0.081226 (1)	0.081226 (1)
Total Equity								797,856 (2)
Long-term debt								62,372 (3)
Customer deposits								

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

Interest expense 237,106  
 Amortization of debt discount 12,510  
 Construction Period Interest 0  
 249,616

Above the Line 62,372  
 Below the Line 187,244

LAKE GROVES UTILITIES, INC.  
CALCULATION OF USED AND USEFUL % BASED ON AVERAGE ERC'S CONNECTED  
HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994 AND 1995

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	WATER	1991	1992	1993	1994	1995
1)	ERC'S CONNECTED	0	98	181	233	342
2)	AVERAGE ERC'S	0	49	140	207	288
3)	PLANT USED	0.00%	10.81%	30.30%	31.13%	43.31%
4)	PLANT NON-USED	100.00%	89.20%	69.70%	68.87%	56.69%
5)	LINE ERC'S	0	462	462	665	665
6)	LINES IN USE	0.00%	10.81%	30.30%	31.13%	43.31%
7)	LINES NON-USED	100.00%	89.20%	69.70%	68.87%	56.69%

LAKE GROVES UTILITIES, INC.  
CALCULATION OF USED AND USEFUL % BASED ON AVERAGE ERC'S CONNECTED  
HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994 AND 1995

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	SEWER	1991	1992	1993	1994	1995
1)	GALLONS TREATED PER YEAR (pg. 5-5)	0	678,828	2,635,000	4,349,000	6,062,000
2)	GALLONS ALLOWED PER DAY (pg. 5-5)	0	75,000	75,000	75,000	75,000
3)	PLANT USED	0.00%	2.47%	9.63%	15.89%	22.14%
4)	PLANT NON-USED	100.00%	97.53%	90.37%	84.11%	77.86%
5)	LINE ERCS	0	272	272	272	272
6)	LINES IN USE	0.00%	2.47%	9.63%	15.89%	22.14%
7)	LINES NON-USED	100.00%	97.53%	90.37%	84.11%	77.86%

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF NON-USED AND USEFUL PLANT FOR CIAC GROSS UP RETENTION PURPOSES  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994 AND 1995

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WATER		1991	1992	1993	1994	1995
1)	GROSS PLANT	11,480	877,208	854,238	814,434	820,233
2)	LESS CIAC PLANT	(43,854)	(150,098)	(213,818)	(432,218)	(438,858)
3)	TOTAL PLANT	(32,374)	427,108	440,819	182,218	181,374
4)	ACCUMULATED DEPRECIATION-PLANT	0	(11,251)	(33,889)	(57,748)	(82,983)
5)	ACCUMULATED AMORTIZATION	0	1,175	5,424	13,535	25,931
6)	NET PLANT	(32,374)	417,032	412,154	138,005	124,382
7)	NON-USED & USEFUL %	100.00%	89.39%	89.70%	88.87%	58.89%
8)	TOTAL NON-USED & USEFUL PLANT	(32,374)	372,785	287,271	95,044	70,501
9)	TRANSMISSION & DISTRIBUTION LINES	0	129,934	129,934	491,532	482,278
10)	LESS CIAC LINES	(27,843)	0	0	(128,684)	(128,684)
11)	TOTAL LINES	(27,843)	129,934	129,934	362,848	353,594
12)	ACCUMULATED DEPRECIATION-LINES	0	(1,858)	(5,588)	(11,448)	(25,502)
13)	ACCUMULATED AMORTIZATION	0	0	0	0	0
14)	NET TRANSMISSION & DISTRIBUTION LINES	(27,843)	128,078	124,386	351,400	338,092
15)	NON-USED & USEFUL %	100.00%	89.39%	89.70%	88.87%	58.89%
16)	TOTAL NON-USED & USEFUL LINES	(27,843)	114,689	88,883	242,009	181,854
17)	LAND	420,634	420,635	420,635	420,635	420,635
18)	NON-USED & USEFUL %	100.00%	89.39%	89.70%	88.87%	58.89%
19)	TOTAL NON-USED & USEFUL LAND	420,634	376,008	293,183	289,891	238,458
20)	TOTAL NON-USED & USEFUL WATER	388,317	883,280	687,137	628,744	500,823

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF NON-USED AND USEFUL PLANT FOR CIAC GROSS UP RETENTION PURPOSES  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994 AND 1995

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	SEWER	1991	1992	1993	1994	1995
1)	GROSS PLANT	13,384	198,838	414,864	402,587	404,802
2)	LESS CIAC PLANT	(35,593)	(111,600)	(159,588)	(329,778)	(329,778)
3)	TOTAL PLANT	(22,209)	87,238	255,276	72,819	74,824
4)	ACCUMULATED DEPRECIATION-PLANT	0	(4,710)	(17,082)	(33,788)	(54,880)
5)	ACCUMULATED AMORTIZATION	0	787	3,838	9,848	19,072
6)	NET PLANT	(22,209)	83,313	242,032	48,997	39,227
7)	NON-USED & USEFUL %	100.00%	97.53%	90.37%	84.11%	77.88%
8)	TOTAL NON-USED & USEFUL PLANT	(22,209)	81,253	218,735	41,129	30,540
9)	COLLECTION SYSTEM	0	113,245	217,288	510,713	510,713
10)	LESS CIAC LINES	(19,850)	0	0	(111,808)	(111,808)
11)	TOTAL LINES	(19,850)	113,245	217,288	398,905	398,905
12)	ACCUMULATED DEPRECIATION-LINES	0	(1,472)	(5,830)	(13,881)	(29,494)
13)	ACCUMULATED AMORTIZATION	0	0	0	0	0
14)	NET TRANSMISSION & DISTRIBUTION LINES	(19,850)	111,773	211,458	385,024	369,411
15)	NON-USED & USEFUL %	100.00%	97.53%	90.37%	84.11%	77.88%
16)	TOTAL NON-USED & USEFUL LINES	(19,850)	109,008	191,104	322,858	287,608
17)	LAND	467,371	467,370	467,370	467,370	467,370
18)	NON-USED & USEFUL %	100.00%	97.53%	90.37%	84.11%	77.88%
19)	TOTAL NON-USED & USEFUL LAND	467,371	455,815	422,383	393,120	363,874
20)	TOTAL NON-USED & USEFUL SEWER	425,812	648,077	832,222	758,105	682,022

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF RATE BASE FOR CIAC GROSS RETENTION PURPOSES  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994 AND 1995

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	WATER	1991	1992	1993	1994	1995
1.	UTILITY PLANT IN SERVICE	11,480	707,140	784,172	1,105,988	1,112,511
2.	LAND	420,634	420,635	420,635	420,635	420,635
3.	NON-USED & USEFUL PLANT	(360,317)	(863,280)	(667,137)	(626,744)	(500,623)
4.	CONTRIBUTIONS IN AID OF CONSTRUCTION	(71,797)	(150,098)	(213,619)	(560,900)	(567,543)
5.	ACCUMULATED DEPRECIATION	0	(13,107)	(39,457)	(68,198)	(108,465)
6.	ACCUMULATED AMORTIZATION OF CIAC	0	1,175	5,424	13,535	25,951
7.	TOTAL WATER RATE BASE	0	102,465	290,018	283,286	282,468

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF RATE BASE FOR CIAC GROSS RETENTION PURPOSES  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994 AND 1995

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	SEWER	1991	1992	1993	1994	1995
1.	UTILITY PLANT IN SERVICE	13,364	312,081	632,152	913,310	915,315
2.	LAND	467,371	467,370	467,370	467,370	467,370
3.	NON-USED & USEFUL PLANT	(425,512)	(646,077)	(832,222)	(756,105)	(682,022)
4.	CONTRIBUTIONS IN AID OF CONSTRUCTION	(55,243)	(111,600)	(159,586)	(441,586)	(441,586)
5.	ACCUMULATED DEPRECIATION	0	(6,162)	(22,912)	(47,649)	(64,163)
6.	ACCUMULATED AMORTIZATION OF CIAC	0	787	3,838	9,846	19,072
7.	TOTAL SEWER RATE BASE	0	16,379	88,836	143,166	193,966