

DOCKET NO. 970-559-SU
REQUEST TO ESTABLISH DOCKET

Date 05/09/97

1. Division Name/Staff Name Water and Wastewater/Cheryl Johnson
2. OPR Cheryl Johnson
3. OCR _____
4. Suggested Docket Title Disposition of Contribution in Aid Of Construction By Hudson 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>Kenneth A. Hoffman Esq.</u>	<u>Mr. Robert C. Nixon, CPA</u>
<u>Rutledge, Ecanis, Underwood, Purnell & Hoffman</u>	<u>Gronin, Jackson, Nixon, and Wilson, CPA's</u>
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<u>Tallahassee, Florida 32302</u>	<u>Clearwater, Florida 34625</u>
<u>Hudson Utilities, Inc.</u>	_____
<u>14334 Old Dixie Highway</u>	_____
<u>Hudson, Florida 34667-1134</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 Electrics	(EI)	Water Utilities	(WU)
Electric Cooperatives	(EC)	Local Exchange Telephone Cos.	(TL)
Municipal Electrics	(EM)	Interexchange Telephone Cos.	(TI)
Gas Utilities	(GU)	Coin-Operated Telephone Cos.	(TC)
Wastewater Utilities	(SU)	Shared Tenant Telephone Cos.	(TS)
		Alternate Access Vendors	(TA)

6. Check One:

- Documentation attached.
 Documentation will be provided with recommendation.

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

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.
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December 30, 1996

Officers and Directors
Hudson Bay Company

As requested, we have prepared the accompanying Special Report of Hudson Bay Company, consisting of Schedules No. 1 through No. 5. This report is intended solely for use in fulfilling certain reporting requirements related to collection of tax impact charges on contributions in aid of construction, for the year ended December 31, 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

Hudson Bay Company
Schedule of Gross-up Refund
For the Year Ended December 31, 1995

Line No.		
1	Taxable CIAC (Schedule No. 2)	\$ 273,000
2	Less: First year's depreciation	(3,978)
3	Above the line taxable loss	<u>(70,337)</u>
4	Net taxable CIAC	198,685
5	Effective federal and state tax rate	<u>.3763</u>
6	Net income tax on CIAC	74,765
7	Expansion factor for gross-up taxes	<u>1.6033</u>
8	Gross-up required to pay tax effect	119,871
9	Less: CIAC gross-up collected (Schedule No. 2)	<u>(177,450)</u>
10	Excess gross-up collected (1)	<u>\$ (57,579)</u>
11	Note (1): The Utility proposes to refund, on a prorata basis, the	
12	excess of gross-up collections shown above, plus accrued interest to	
13	the date of refund.	

Hudson Bay Company
Above and Below the Line Taxable Income
For the Year Ended December 31, 1995

<u>Line No.</u>		
1	<u>Above the line taxable income</u>	
2	Gross receipts/sales (Line 1c)	<u>\$ 629,192</u>
3	Deductions:	
4	Bad debts (Line 15)	1,740
5	Rents (Line 16)	13,762
6	Taxes & Licenses (Line 17) (Schedule No. 3)	69,512
7	Interest (Line 18) (Schedule No. 3)	82,113
8	Depreciation (Line 21c) (Schedule No. 3)	103,988
9	Other deductions (Line 26)	
10	(Schedule No. 2, Page 2 of 2)	<u>428,414</u>
11		<u>699,529</u>
12	Above the line taxable loss before CIAC	<u>(70,337)</u>
13	CIAC (Line 10)	273,000
14	Gross-up (Line 10)	<u>177,450</u>
15		<u>450,450</u>
16	Total above the line taxable income	<u>380,113</u>
17	<u>Below the line taxable income (loss)</u>	
18	Income:	
19	Interest (Line 5)	6,837
20	Non-utility (Line 10)	<u>7,358</u>
21		<u>14,195</u>
22	Deductions:	
23	Taxes & Licenses (Line 17) (Schedule No. 3)	27,939
24	Interest (Line 18) (Schedule No. 3)	117,481
25	Depreciation (Line 21c) (Schedule No. 3)	123,041
26	Other deductions (Line 26)	
27	(Schedule No. 2, Page 2 of 2)	<u>1,552</u>
28		<u>270,013</u>
29	Total below the line taxable loss	<u>(255,818)</u>
30	Total taxable income	<u>\$ 124,295</u>

Hudson Bay Company
Above and Below the Line Taxable Income
For the Year Ended December 31, 1995

<u>Line No.</u>		<u>Total Expense</u>	<u>Below the Line Adjustment</u>	<u>Adjusted Above the Line</u>
1	Other deductions (Line 26):			
2	Non-utility expense	\$ 468	\$ (468) (A)	
3	Purchased sewage treatment	251,543		\$251,543
4	Purchased power	7,447		7,447
5	Materials and supplies	3,005		3,005
6	Contractual services	143,890		143,890
7	Transportation	822		822
8	Insurance	4,289		4,289
9	Miscellaneous	17,418		17,418
10	Amortization	<u>1,084</u>	<u>(1,084) (B)</u>	
11		<u>\$429,966</u>	<u>\$ (1,552)</u>	<u>\$428,414</u>
12	Adjustments:			
13	(A) Non-utility expenses			<u>\$ 468</u>
14	(B) Amortization of goodwill			<u>\$ 1,084</u>

Hudson Bay Company
Above and Below the Line Interest Expense
For the Year Ended December 31, 1995

<u>Line</u> <u>No.</u>		
1	A. <u>Interest</u>	
2	Total long-term debt and notes payable	\$1,829,212
3	Rate base (Schedule No. 4)	<u>752,487</u>
4	Debt in excess of rate base	<u>\$1,076,725</u>
5	Interest expense per return (Line 18)	\$ 199,594
6	Percent excess	<u>58.86%</u>
7	Below the line interest	117,481
8	Above the line interest	<u>87,113</u>
9	Total interest expense	<u>\$ 199,594</u>
10	B. <u>Depreciation</u>	
11	Total tax depreciation (Line 21b)	\$ 227,029
12	Less: Depreciation on CIAC assets	65,015
13	First year depreciation on 1995 CIAC assets	<u>3,978</u>
14	Tax depreciation on invested assets	158,036
15	Composite used and useful percent (Schedule No. 4)	<u>65.80%</u>
16	Above the line depreciation	103,988
17	Below the line depreciation	<u>123,041</u>
18	Total depreciation expense	<u>\$ 227,029</u>
19	C. <u>Taxes other than income</u>	
20	Total property taxes included in Line 17	\$ 61,392
21	Composite used and useful percent (Schedule No. 4)	<u>65.80%</u>
22	Above the line property taxes	40,396
23	Above the line other taxes and licenses	<u>29,116</u>
24	Above the line taxes other than income	<u>69,512</u>
25	Below the line property taxes (non-used and useful)	20,996
26	Below the line state income taxes in Line 17	<u>6,943</u>
27	Below the line taxes other than income	<u>27,939</u>
28	Total above and below the line taxes other	
29	than income	<u>\$ 97,451</u>

Hudson Bay Company
 Schedule of Rate Base
 For the Year Ended December 31, 1995

Line No.		
1	Plant in service	\$ 3,322,816
2	Accumulated depreciation	(963,856)
3	Non-used and useful plant (1)	(473,389)
4	CIAC	(1,380,257)
5	Accumulated amortization of CIAC	<u>247,173</u>
6	Rate base	<u>\$ 752,487</u>
7	Note (1): Non-used and useful plant is calculated as follows:	
8	Total active connections	<u>1,312</u>
9	Divide by total developed connections	<u>1.994</u>
10	Percent used and useful	<u>65.80%</u>
11	Percent non-used and useful	<u>34.20%</u>
12	Collection sewers - force	\$ 760,840
13	Collection sewers - gravity	1,521,940
14	Services	325,088
15	Flow measuring devices	137,719
16	Receiving wells (lift stations)	282,701
17	Pumping equipment	226,190
18	Other plant and miscellaneous	<u>6,298</u>
19		3,260,776
20	Percent non-used and useful	<u>34.20%</u>
21	Amount non-used and useful	<u>1,115,185</u>
22	Accumulated depreciation on above plant accounts	(442,482)
23	Percent non-used and useful	<u>34.20%</u>
24		<u>(151,329)</u>
25	Net non-used and useful plant	<u>\$ 963,856</u>

Hudson Bay Company
Schedule of CIAC Gross-up Escrow Activity
For the Year Ended December 31, 1995

<u>Line</u> <u>No.</u>		
1	Balance, January 1, 1995	<u>\$ 362,510</u>
2	CIAC gross-up collected for 1995	104,994
3	Notes receivable collected - prior years' gross-up	41,456
4	Income tax payments in 1995 for 1994	(148,000)
5	Income tax deposits for 1995	(27,600)
6	Interest earned	6,601
7	Transfer to operating account	<u>(173,241)</u>
8	Balance, December 31, 1995	<u>\$ 166,720</u>