

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Request by FLORIDA WATERWORKS)	DOCKET NO. 860184-PU
ASSOCIATION for investigation of)	
proposed repeal of Section 118(b),)	ORDER NO. 21265
Internal Revenue Code (Contributions-)	
in-aid-of-Construction))	ISSUED: 5-22-89
_____)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, CHAIRMAN
 THOMAS M. BEARD
 BETTY EASLEY
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING PROPOSED ACCOUNTING
TREATMENT FOR TAXES ON
CONTRIBUTIONS-IN-AID-OF-CONSTRUCTION

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

By Order No. 16971, issued December 18, 1986, this Commission authorized corporate water and sewer utilities to elect whether to "gross-up" contributions-in-aid-of-construction (CIAC) in order to meet their potential tax liabilities resulting from the repeal of the exclusion of CIAC from gross income.

Jacksonville Suburban Utilities Corporation (JSUC) is a utility which provides water and sewer service to the public in Duval County. On October 30, 1987, JSUC petitioned for approval of a special accounting treatment for income taxes attributable to its collection of CIAC.

REQUESTED ACCOUNTING TREATMENT

JSUC has requested that it be allowed to charge taxes paid on CIAC collected to a deferred tax account. Under this treatment, as depreciation is taken for tax purposes, the deferred tax balance would be reduced. When there is a debit deferred tax balance, it would be included as an element of rate base. This treatment is consistent with the manner in which CIAC is treated in other industries regulated by this Commission. An example of JSUC's proposed treatment is appended to this Order as Attachment A.

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In support of its request, JSUC argues that its customers will benefit from its proposed treatment because: the tax liability related to CIAC will be lower than if it grossed-up; customers will pay less in CIAC than if JSUC grossed-up; development in JSUC's certificated area will be encouraged; under its treatment, rates will not be materially affected because rate base will not be materially affected; JSUC is large, well financed and does not need to collect the taxes on CIAC, and; non-regulated and non-taxed utilities will not have an unfair advantage over JSUC.

Most of the contentions above are self-evident, however, JSUC provided no figures upon which to predict the future effect of its treatment upon rates. Should the debit balance deferred taxes grow more rapidly than the credit balance deferred taxes, rates could, conceivably, be materially affected by the proposed treatment. Nevertheless, considering the size of JSUC's rate base, this does not appear to be a serious concern at this time.

We believe that JSUC's proposed treatment of taxes on CIAC will benefit its customers for the reasons stated above. Accordingly, we hereby approve JSUC's proposed accounting treatment.

Upon consideration of the foregoing, it is

ORDERED by the FPSC that the provisions of this Order are issued as proposed agency action and will become final unless an appropriate petition is filed with the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0850, by the close of business on June 12, 1989. It is further

ORDERED that Jacksonville Suburban Utilities Corporation's proposed accounting treatment for taxes paid on CIAC collected, as described in the body of this Order and exemplified on Attachment A is hereby approved. It is further

ORDERED that, after June 12, 1989, this Commission will issue either an order indicating that the provisions of this Order have become final or a notice of further proceedings.

By ORDER of the Florida Public Service Commission
 this 22nd day of MAY, 1989.


 STEVE TRIBBLE, Director
 DIVISION OF RECORDS AND REPORTING

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on June 12, 1989. In the absence of such a petition, this order shall become effective June 13, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on June 13, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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JACKSONVILLE SUBURBAN WATER COMPANY
TAXATION OF CONTRIBUTIONS
ACCOUNTING FOR TAXES PAID BY COMPANY

Company pays tax
Deferred Tax recoverable set up
Assumes: 40% Federal Rate
5% State Rate
\$1,000 Project Cost \$1,000 Contribution

1. To Record Receipt of Cash Advance (CIAC)

<u>Acct.#</u>	<u>Acct. Description</u>	<u>Debit</u>	<u>Credit</u>
131	Cash	1,000	
271	Contribution in Aid of Construction		1,000

2. To set up Deferred Tax Receivable and Taxes Payable

190.20	Deferred SIT Receivable	50	
190.10	Deferred FIT Receivable	380	
236	Accrued SIT Payable A&C		50
236	Accrued FIT Payable A&C		380

3. To Record Payment of Taxes

236	Accrued SIT Payable	50	
236	Accrued FIT Payable	380	
	Cash		430

4. To Record Construction of Plant

105	CWIP	1,000	
131	Cash		1,000

5. Normalization of Excess Tax over Book
Depreciation over life of asset (20 years)

410.11	Deferred SIT Expense	50	
410.10	Deferred FIT Expense	380	
190.20	Deferred SIT Receivable		50
190.10	Deferred FIT Receivable		380

ATTACHMENT A