

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition to gross-up)	DOCKET NO. 910618-WS
contributions-in-aid-of-construction)	
(CIAC) for the related tax impact by)	ORDER NO. 24786
Hydratech Utilities, Inc. in Martin)	
County.)	ISSUED: 7/9/91
)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, CHAIRMAN
 J. TERRY DEASON
 BETTY EASLEY
 MICHAEL McK. WILSON

ORDER ON CIAC GROSS-UP

BY THE COMMISSION:

Hydratech Utilities, Inc. (Hydratech) is a Class B water and wastewater utility providing service to the public in Martin County. Hydratech's 1989 annual report reflects 4,001 water and 3,691 wastewater customers as of December 31, 1989. The annual report also reflects that Hydratech had gross annual revenues of \$505,566 for the water system and \$572,471 for the wastewater system. The utility's net operating losses were \$25,695 for the water system and \$47,579 for the wastewater system.

By Order No. 16971, issued December 18, 1986, the Commission granted approval for water and wastewater utilities to amend their service availability policies to meet the tax impact on Contributions-in-aid-of-construction (CIAC) resulting from the amendment of Section 118(b) of the Internal Revenue Code. In Order No. 23541, issued October 1, 1990, we ordered utilities currently grossing-up CIAC to file a petition for continued authority to gross-up. Further, we ordered that any utility wishing to begin grossing-up CIAC must first obtain the approval of this Commission. Until April 30, 1991, Hydratech was an S corporation for federal income tax purposes and was excluded from authority to gross-up under the provisions of Order No. 17396, issued April 14, 1987. On April 30, 1991, all of the shareholders of Hydratech filed a statement revoking the S corporation election. Hydratech is now a C corporation effective May 1, 1991. On May 22, 1991, pursuant to Rule 25-22.036, Florida Administrative Code and Commission Order No. 23541, Hydratech filed its petition for authority to gross-up CIAC.

DOCUMENT NUMBER-DATE

06892 JUL -9 1991

PSC-RECORDS/REPORTING

ORDER NO. 24786
DOCKET NO. 910618-WS
PAGE 2

Section 367.091(5), Florida Statutes, provides that within sixty (60) days of the filing of an application to change a rate or charge other than the monthly rates for service, the Commission may withhold consent to the operation of any or all portions of the new rate schedule by a vote to that effect giving a reason or statement of good cause for withholding consent. If the Commission does not act within sixty days, the rates become effective. The file-and-suspend statutes have been interpreted by the Florida Supreme Court to provide that rates which become effective upon inaction by the Commission are interim rates pending a final order by the Commission. Citizens of the State of Florida v. Wilson, 568 So.2d 904 (Fla. 1990). The case law also provides that substantially affected persons have the right to a hearing on the interim rates.

In its petition for approval to collect the gross-up on CIAC, Hydratech asserts that it needs to collect the gross-up because it anticipates that a substantial portion of its CIAC will be taxed at federal statutory rates in 1991. In addition, Hydratech asserts that unless its gross-up authority is effective throughout 1991, it will incur a substantial tax liability with no apparent source of payment.

Although the information filed makes it appear that Hydratech will have a tax liability, additional information is needed before we can determine that a tax liability exists and that other sources of funds are not available at a reasonable cost, as required by Order No. 23541. In consideration of the above, we will not suspend the tariffs or give or withhold consent. Our intention is to allow the proposed tariffs to become effective on an interim basis, pending our review of the additional information.

Pursuant to Orders Nos. 16971 and 23541, CIAC tax impact amounts are to be deposited as received in a fully funded interest bearing escrow account. Because this CIAC gross-up will be collected on an interim basis and may not be permitted after further examination, no monies shall be withdrawn from the escrow account until a final determination is made in this matter. Pursuant to Rule 25-30.360(6), Florida Administrative Code, Hydratech shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund.

In the event that CIAC gross-up is permitted after a final determination, all CIAC tax impact monies received during the tax year that are in excess of Hydratech's actual tax liability resulting from the collection of CIAC, together with interest on

ORDER NO. 24786
DOCKET NO. 910618-WS
PAGE 3

such excess monies, must be refunded on a pro rata basis to the contributors of those amounts. Further, all provisions of Orders Nos. 16971 and 23541 not addressed in this Order are incorporated herein by reference.

The tariffs proposed by Hydratech in its petition will become effective, but not final, after July 21, 1991. However, substantially affected persons shall have 21 days from the date of this Order to request a hearing.

It is therefore,

ORDERED by the Florida Public Service Commission that the tariffs filed by Hydratech Utilities, Inc. for CIAC gross-up are neither approved, suspended nor denied. It is further

ORDERED that the tariffs filed by Hydratech Utilities, Inc. are effective after July 21, 1991, but interim in nature, pending a final order by the Commission. It is further

ORDERED that Hydratech Utilities, Inc. shall deposit all gross-up on CIAC collected into a fully funded interest bearing escrow account and the funds collected are subject to refund in accordance with the provisions of Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that Hydratech Utilities, Inc. shall make no withdrawals from the escrow account until a final determination to approve or deny the tariffs is made in this matter. It is further

ORDERED that a substantially affected person may file a petition for a formal proceeding, with the Director, Division of Records and Reporting, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that this docket shall remain open.

BY ORDER of the Florida Public Service Commission, this 9th
day of JULY, 1991.



Steve Tribble, Director
Division of Records and Reporting

(S E A L)
LAJ

ORDER NO. 24786
DOCKET NO. 910618-WS
PAGE 4

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 tariff is interim in nature. A person whose substantial interests are affected by the action may file a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), 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 July 30, 1991.

Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or sewer utility, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.