RONALD J. SCHULTZ
PROPERTY APPRAISER

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November 13, 1992

Southern States Utility
Attn: Mr. Brian Armstrong
1000 Color Place
Apopka, FL 32703

Dear Mr. Armstrong: 92 0199-WS

Attached please find a copy of a fax dated November 4, 1992 from Judith J. Kimball indicating that it is the response to my letter of September 25, 1992, addressed to you.

In my several years as a Property Appraiser I have not previously encountered such institutional disdain for a potential refund.

In the hope of establishing a useful exchange of information I will remind you of the tasks facing this office in the administration of ad valorem taxation. Ad valorem taxation, at the local level in Florida, is directed at real and tangible personal property with the Property Appraiser charged with discovering and listing all such property within the jurisdiction. The listing of real property is reasonably straight forward. Tangible Personal Property is however, dependent on the property owner submitting a description of the assets, their original cost and the owners estimate of value on form DR 405, a form adopted by the Department of Revenue for this purpose. (See attached). Heretofore we have accepted the summarization of investment and depreciation by the account categories utilized in your reports to the Public Service Commission in lieu of an asset listing.

The logic at work has been that the physical assets of a regulated water and/or sewer company have as their maximum taxable (to the company) value, their contribution to the current rate base and their discounted potential contribution to future rate bases, as would be allowed by the PSC, should an acquisition have occurred on January 1 of the tax year. As you can see there are several interesting assumptions that must be accepted for this logic to yield a reasonable accurate finding of Just Value. An obvious assumption is that the rate base as imputed from your annual report to the PSC does reasonably reflect the rate base, or acquisition amount allowable to the rate base, that a purchaser would have based his offer on in each particular year.

This assumption is difficult to maintain, over multiple years, when "adjustments" of millions of dollars are made to the various accounts. (See pages 361 and 370 attached indicating adjustments to CIAC, non-used and useful etc.)

Another assumption is that the physical assets being taxed to the company have not had their value added to the taxable value of individual customers. If the cost of the asset has been included in the calculation of value of a parcel owned by others, as well as being included in the companies taxable value, it would present an example of double taxation. Physical assets which are contributions in aid of construction or physical assets which are built or purchased through funds provided as contributions in aid of construction are normally taxed by being subsumed under the value of the customers parcel. Likewise CIAC that is financial only without tangible assets that are taxable is irrelevant to the calculation of Just Value.

In summary: for each tax year since the acquisition of the systems S.S.U. has been assessed for values that were properly CIAC and therefore apparently tax to others, the adjustments made to the P.S.C. did not provide an accurate estimate of just value in all years.

I call your attention to Section 195.022 (3) and (4) F.S. with the hope that we can work together in arriving at the appropriate Just Value for each of the past several years for each system. Anticipating your prompt response I have not forwarded your 1992 tax bills since I am convinced that they are erroneous.

Sincerely,

Ronald J. Schultz, CFA
Property Appraiser

RJS/avl

cc: Judith J. Kimball, SSU
Office of the Public Counsel
Harry C. Jones, President of COVA
Paul Hawkes, Attorney
Office of Records and Reports P.S.C.
Larry Haag, County Attorney