

GATLIN, WOODS, CARLSON & COWDERY

Attorneys at Law

a partnership including professional associations

The Mahan Station
1709-D Mahan Drive
Tallahassee, Florida 32308

TELEPHONE (904) 877-7191
TELECOPIER (904) 877-9031

B. KENNETH GATLIN, P.A.
THOMAS F. WOODS
JOHN D. CARLSON
KATHRYN G.W. COWDERY
WAYNE L. SCHIEFELBEIN

June 1, 1993

Mr. Steve Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, FL n 32399-0850

HAND DELIVERY

930529-WS

RE: POINCIANA UTILITIES INC. for Revision to
Full Gross-Up Formula for Depreciable Plant

Dear Mr. Tribble:

WS194

Please open a docket for consideration of this request by Poinciana Utilities Inc. for Revision to Full Gross-up Formula for Depreciable Plant. In support of this request we enclose an original and fifteen copies of this letter, the attached letter from Joseph Schifano, Assistant Comptroller, and proposed Water Second Revised Sheet No. 36.1 and Wastewater Second Revised Sheet No. 34.1.

The exact name of the company is:

Poinciana Utilities, Inc.
4837 Swift Road, Suite 100
Sarasota, FL 34231

The name and address of the person authorized to receive notices and communications in respect to this application is:

Wayne L. Schiefelbein
Gatlin, Woods, Carlson & Cowdery
1709-D Mahan Drive
Tallahassee, FL 32308
(904) 877-7191

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention. Thank you for your assistance.

Sincerely,

Wayne L. Schiefelbein

Wayne L. Schiefelbein

WLS/meg

05919 JUN-18

1993 JUN 18 10 11 AM

**POINCIANA
UTILITIES INC.**

May 13, 1993

RECEIVED
MAY 17 1993

Mr. Kenneth B. Gatlin, Esq.
Gatlin, Woods, Carlson, & Cowdery
1709-D Mahan Drive
Tallahassee, FL 32308

Office of
B. KENNETH GATLIN

RE: **Full Gross-Up Formula for Taxability of CIAC;
Docket #860184-PU, Order No.23541, Issued 10/1/90
and Revision of Poinciana Utilities Inc.'s Tariffs**

Dear Mr. Gatlin:

Poinciana Utilities Inc. (PUI) feels that the full Gross-Up formula for Depreciable Plant as contained on page 14 of the above referenced order may not be correct. This is based on our understanding that the formula is intended to pass the tax savings on First Year Depreciation to the Contributor of CIAC. Calculation of the expansion factor for Gross-Up using the formula contained in the order is 1.60032868. Using this factor would not pass on the entire tax savings on First Year Depreciation on CIAC to the contributor because the factor is too high.

The correct formula to achieve passing on the tax savings on First Year Depreciation to the Contributor of CIAC is as follows:

$$\begin{array}{l} \text{Full Gross-up:} \\ \text{Depreciable Plant} \end{array} \quad \left(\frac{CP - ((CP \cdot AR \cdot .5) \cdot CTR)}{1 - CTR} \right)$$

Calculation of the expansion factor for Gross-Up using this formula is 1.58070988.

Proof that the expansion factor of 1.58070988 results in passing on the tax savings of First Year Depreciation to the Contributor of CIAC is as follows:

EXAMPLE:

CP = \$10,000
TL = 20 years
AR = 7.5%
CTR = 37.63%

POINCIANA UTILITIES INC.
4837 Swift Road, Suite 100
Sarasota, Florida 34231
P.O. Box 21119 (34276-4119)
Telephone 813/925-3088

05919 JUN-18
11 2025

First Year Depreciation \$10,000 x .0375 =	\$375.00
Marginal Tax Rate	x <u>.3763</u>
Tax savings on First Year Depreciation	<u>\$141.11</u>

PROOF:

\$10,000 x 1.58070988 =	\$15,807.10
Marginal Tax Rate	x <u>.3763</u>
Tax	5,948.21
Less Tax Collected	<u>5,807.10</u>
Tax Savings on First Year Depreciation (as above)	\$ <u>141.11</u>

Therefore, PUI requests the Commission Staff review the necessity of revising the CIAC Full Gross-UP Formula used for Depreciable Plant.

Since the Gross-Up formula in PUI's current tariffs are those contained in Order #23541, there is a need to revise the Tariffs if the Public Service Commission revises the formula. Therefore, also enclosed are proposed revised Tariff Sheets reflecting the new formula.

Please contact me if you have any questions.

Sincerely,


Joseph Schifano, CPA
Assistant Comptroller

Enclosures

cc/ P.Bradtmiller
 L.Coel
 K.Cardey

TAX IMPACT OF ADVANCES FOR CONSTRUCTION
AND CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

In accordance with Order No. 23541 issued on October 1, 1990 in Docket No. 860184-PU the Florida Public Service Commission adopted and approved specific guidelines for a utility to administer in the calculation, collection, and reporting of CIAC tax liabilities. This tariff provision is filed pursuant to the above mentioned order.

- 1) On and after January 1, 1991, the Company will collect from developers and others who convey cash and/or property to the Company as CIAC an amount equal to the tax impact of the CIAC.
- 2) The gross-up amount to be collected shall be determined using the following formula:

$$\text{Depreciable Plant } (CP - ((CP * AR * .5) * CTR)) \\ * (1 / (1 - CTR))$$

$$\text{Land } (CL * (1 / (1 - CTR)))$$

Where:

CP = Contributed plant and/or contributed cash
TL = Tax Life for contributed plant
AR = Accelerate Tax Rate
CTR = Combined federal and state income tax rate
CL = Contributed Land

EFFECTIVE DATE:
TYPE OF FILING: CIAC GROSS-UP AUTHORITY

PAUL H. BRADTMILLER
EXECUTIVE VICE PRESIDENT

TAX IMPACT OF ADVANCES FOR CONSTRUCTION
AND CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

In accordance with Order No. 23541 issued on October 1, 1990 in Docket No. 860184-PU the Florida Public Service Commission adopted and approved specific guidelines for a utility to administer in the calculation, collection, and reporting of CIAC tax liabilities. This tariff provision is filed pursuant to the above mentioned order.

- 1) On and after January 1, 1991, the Company will collect from developers and others who convey cash and/or property to the Company as CIAC an amount equal to the tax impact of the CIAC.
- 2) The gross-up amount to be collected shall be determined using the following formula:

$$\text{Depreciable Plant } (CP - ((CP * AR * .5) * CTR)) \\ * (1 / (1 - CTR))$$

$$\text{Land } (CL * (1 / (1 - CTR)))$$

Where:

CP = Contributed plant and/or contributed cash
TL = Tax Life for contributed plant
AR = Accelerate Tax Rate
CTR = Combined federal and state income tax rate
CL = Contributed Land

EFFECTIVE DATE:
TYPE OF FILING: CIAC GROSS-UP AUTHORITY

PAUL H. BRADTMILLER
EXECUTIVE VICE PRESIDENT

Dear Mr. Schiefelbein DATE 6/2/93

RE: Docket No. 930529-WS

This will acknowledge receipt of your request for revision to full gross-up formula for depreciable plant in Osceola and Polk Counties.

which has been filed as of this date. Appropriate staff members will be advised.

STEVE TRIBBLE, Clerk BY: jcw