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October 16, 1996

HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Docket No. 960965-WS
Cancellation of Authority to Gross-Up
Contributions in Aid of Construction

Dear Ms. Bayo:

Enclosed for filing are an original and fifteen copies of an Application for Variance by Palm Coast Utility Corporation.

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

Very truly yours,

B. Kenneth Gatlin

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FPSC-BUREAU OF RECORDS

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Cancellation of Authority)
to Gross-up Contributions in Aid)
of Construction)

Docket No. 960965-WS

Filed: October 16, 1996

APPLICATION FOR VARIANCE
BY PALM COAST UTILITY CORPORATION

Palm Coast Utility Corporation (PCUC), by and through its undersigned counsel, hereby applies for a variance from the provisions of Order No. PSC-96-1180-FOF-WS, revoking authority to collect gross-up on contributions-in-aid-of-construction (CIAC) and in support states the following:

1. PCUC has been authorized by tariff approved by the Commission to collect gross-up for taxes on CIAC using the present value method. PCUC has collected the gross-up from new customers upon their payment of CIAC to PCUC, with the exception of pre-paid CIAC.

2. PCUC has collected pre-paid CIAC during the time period that CIAC has been taxable from January 1, 1987 through June 12, 1996. The gross-up for taxes has not been collected from persons who have pre-paid CIAC. It has been PCUC's practice to collect the gross-up at the time the person who has paid the pre-paid CIAC actually applies for utility service and pays any balance of CIAC due at the time of connection.

3. The pre-paid CIAC has been reported by PCUC as taxable revenue and appropriate taxes have been paid. PCUC has no mechanism for collecting the gross-up on the prepayments until the customer applies for service. This may be many years in the future; but PCUC should not lose its ability to recover gross-up of income taxes dutifully paid under prior tax law. Continued

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FPSC-RECORDS/REPORTING

collection of the gross-up associated with pre-paid CIAC would also benefit current ratepayers by reduction of net debit deferred taxes included in rate base.

4. PCUC therefore requests a variance from the provisions of Order No. PSC-96-1180-FOF-WS, revoking authority to collect gross-up on CIAC, so as to authorize PCUC to collect the gross-up on pre-paid CIAC collected by PCUC from January 1, 1987 through June 12, 1996.

5. Accompanying this application for variance are proposed tariff sheets that would reflect the requested authorization to collect the gross-up on pre-paid CIAC as stated above.

WHEREFORE, Palm Coast Utility Corporation requests that the Commission enter an order granting this application for a variance from the provisions of Order No. PSC-96-1180-FOF-WS revoking authority to collect gross-up on CIAC, as stated in the body of the above application, and that the Commission approve the proposed tariff sheets accompanying this application.

DATED this 16th day of October, 1996.

Respectfully submitted,



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Attorneys for
PALM COAST UTILITY CORPORATION