



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: September 24, 1996
TO: Records and Reporting
FROM: Jackie Gilchrist
RE: Docket No. 961007-WS - Disposition of Gross-up Funds Collected in 1991-1994 by Hydratech Utilities, Inc., in Martin County.

Please place the attached documentation into the utility's docket file. As instructed, two sets of information are included with this memo.

- ACK _____
- AFA _____
- AFP _____
- CAF _____
- COM _____
- CP _____
- EA _____
- EP _____
- ET _____

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 C

DOCUMENT NUMBER DATE

11-344 OCT 24 86

FPSC-RECORDS/REPORTING

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES I. WILSON, C.P.A.

2560 GULF TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
FACSIMILE
(813) 797-3602

RECEIVED

JUL 24 1996

Florida Public Service Commission July 23, 1996
Division of Water and Wastewater

Ms. Jackie Gilchrist
Regulatory Analyst
Division of Water & Wastewater
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

BY FEDERAL EXPRESS

Re: Hydratech Utilities, Inc, - Gross-up Reports for 1991 through 1994

Dear Ms. Gilchrist:

On behalf of Hydratech Utilities, Inc., I am responding to your letter and calculations dated June 18, 1996, related to the gross-up refund reports noted above.

Hydratech agrees with the end result of Staff's computations for 1991 through 1994, before consideration of the costs incurred to file the reports and finalize the disposition of gross-up in this proceeding. However, the Company would like to express its disagreement with certain of the adjustments made by Staff for these years.

1. For 1991, Staff has imputed a first year's depreciation benefit on CIAC which does not exist. As the enclosed copy of the depreciation schedule indicates, only \$9,293 of assets were added during 1991. Associated depreciation totalled just \$244. The \$386 of 7-year property additions related to general plant, and were not funded by CIAC. Of the remaining additions, \$6,785 related to meters, which were paid for by meter fees. The remaining \$2,122 of plant additions related primarily to capitalized pump repairs paid out of the Company's operating account. CIAC collections are deposited into the Company's money market account. As shown on page F-7 of the Company's 1991 Annual Report, the money market account had a total balance of \$814,783 at December 31, 1991. This compares to 1991 CIAC collections of \$492,450.

DOCUMENT NUMBER DATE

11344 OCT 24 8

FPSC-RECORDS/REPORTING

Ms. Jackie Gilchrist
July 23, 1996
Page 2

All of these facts, taken together, demonstrate that no 1991 CIAC was used for plant additions or debt service. Thus, no adjustment for first year's depreciation should be made for 1991.

2. For 1992, Staff has classified \$138,627 of legal expense above the line. These expenses related to efforts to sell the Utility and obtain refinancing through a Private Placement Bond Issue.
3. For all years, the Utility does not understand the adjustment for interest earnings on CIAC gross-up. First, income on Line 1 is increased for such interest earnings and then decreased by an equal amount on Line 5 of the staff computation.
4. In the Company's last rate case, amortization of loan costs was used to calculate the effective cost of debt. Therefore, Hydratech will accept the classification of the used and useful portion of amortization of loan costs to above the line expenses. However, if a utility's approved rate of return does not include the effect of amortization of loan costs, then below the line classification is appropriate.

For 1993 and 1994, Hydratech believes that the incurred costs of filing and processing the gross-up reports for these years should be deducted from the Staff proposed refund amounts.

For your consideration, I have attached documentation of the legal and accounting costs incurred to process the reports for 1993 and 1994. These costs total \$11,799 and \$14,791 for 1993 and 1994, respectively. The impact on refunds is as follows:

	<u>1993</u>	<u>1994</u>
Staff calculated refund	\$ 340	\$ 21,500
Legal and accounting costs	<u>(11,799)</u>	<u>(14,791)</u>
Company proposed refund	<u>\$ None</u>	<u>\$ 6,709</u>

Also, your letter noted that Hydratech originally proposed to book the \$340 refund for 1993 as CIAC, since the costs of the refund would exceed the amount of the refund. You have asked how many customers are entitled to the 1993 refund.

Ms. Jackie Gilchrist
July 23, 1996
Page 3

During 1993, the Company collected gross-up from 31 different contributors. By the time the calculations are made, checks written and mailed, and a report made and accepted by the Commission Staff, the total cost of refunding would be much greater than \$340. However, as noted above, the Utility does not believe that any refund is due for 1993.

Should you have questions regarding this response to your letter, please contact me.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON



Robert C. Nixon

RCN/apf

cc: G. Bobo (w/encl.)
F. M. Deterding, Esq. (w/encl.)
P. Keathley (w/encl.)

Name(s) shown on return

HYDRATECH UTILITIES, INC

Identifying number
59-1784252

Business or activity to which this form relates

Election to Expense Certain Tangible Property (Section 179) (Note: If you have any "Listed Property," complete Part V.)

1. Maximum dollar limitation (see instructions)	1	\$10,000
2. Total cost of section 179 property placed in service during the tax year (see instructions)	2	
3. Threshold cost of section 179 property before reduction in limitation	3	\$200,000
4. Reduction in limitation—Subtract line 3 from line 2, but do not enter less than -0-	4	
5. Dollar limitation for tax year—Subtract line 4 from line 1, but do not enter less than -0-	5	10,000
(a) Description of property		
(b) Cost		
(c) Elected cost		
6.		
7. Listed property—Enter amount from line 25	7	
8. Total elected cost of section 179 property—Add amounts in column (c), lines 6 and 7	8	
9. Tentative deduction—Enter the lesser of line 5 or line 8	9	0
10. Carryover of disallowed deduction from 1990 (see instructions)	10	
11. Taxable income limitation—Enter the lesser of taxable income or line 5 (see instructions)	11	0
12. Section 179 expense deduction—Add lines 9 and 10, but do not enter more than line 11.	12	
13. Carryover of disallowed deduction to 1992—Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for automobiles, certain other vehicles, cellular telephones, computers, or property used for entertainment, recreation, or amusement (listed property). Instead, use Part V for listed property.

MACRS Depreciation For Assets Placed in Service ONLY During Your 1991 Tax Year (Do Not Include Listed Property)

(a) Classification of property	(b) Mo. and yr. placed in service	(c) Basis for depreciation (Business Asset straight line use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
14. General Depreciation System (GDS) (see instructions):						
a. 3-year property						
b. 5-year property						
c. 7-year property		386	7.0			29
d. 10-year property						
e. 15-year property		7,799	15.0			197
f. 20-year property		1,108	20.0			18
g. Residential rental property			27.5 yrs	MM	S/L	
			27.5 yrs	MM	S/L	
h. Nonresidential real property			31.5 yrs	MM	S/L	
			31.5 yrs	MM	S/L	
15. Alternative Depreciation System (ADS) (see instructions):						
a. Class life					S/L	
b. 12-year			12 yrs		S/L	
c. 40-year			40 yrs	MM	S/L	

Other Depreciation (Do Not Include Listed Property)

16. GDS and ADS deductions for assets placed in service in tax years beginning before 1991 (see instructions)	16	195,334
17. Property subject to section 168(f)(1) election (see instructions)	17	
18. ACRS and other depreciation (see instructions)	18	71,325

Summary

19. Listed property—Enter amount from line 25	19	
20. Total—Add deductions on line 12, lines 14 and 15 in column(g), and lines 16 through 19. Enter here and on the appropriate lines of your return. (Partnerships and S corporations—see instructions)	20	266,903
21. For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs (see instructions)	21	

For Paperwork Reduction Act Notice, see page 1 of the separate instructions.

Hydratech Utilities, Inc.
 Accounting Costs for Gross-up Reports and Staff Inquiries
 For the Years Ended 1993 and 1994
 (Unaudited)

<u>Cronin, Jackson, Nixon & Wilson</u>	<u>Invoice Date</u>	<u>Amount</u>
<u>1993 gross-up report</u>		
July, 1994	08/09/94	\$ 2,123
June, 1994	07/21/94	2,100
Total actual costs		<u>\$ 4,223</u>
<u>1994 gross-up report</u>		
October, 1995	11/16/95	\$ 786
August, 1995	09/27/95	2,108
July, 1995	08/14/95	2,967
June, 1995	07/14/95	936
December, 1995	01/17/96	140
Total actual costs		<u>\$ 6,935</u>

Estimate to complete

Prepare response to Staff letter of 06/18/96 - R. Nixon 25 hrs. @ \$140	\$ 3,500
Review Staff Recommendation and revised calculations, discuss with client and Mr. Deterding - R. Nixon 8 hrs. @ \$140	1,120
Review PAA Order - R. Nixon 1.5 hrs. @ \$140	210
Work related to refund, including interest calculation, allocations, report to PSC - R. Nixon 16 hrs. @ \$140	2,240
Copies, postage, Federal Express charges	200
Total estimate to complete	<u>\$ 7,270</u>

Summary

<u>Summary</u>	<u>1993</u>	<u>1994</u>
Total actual costs per above	\$ 4,223	\$ 6,935
50% of estimate to complete, excluding refund work	2,515	2,515
1994 refund		2,240
Total accounting costs	<u>\$ 6,738</u>	<u>\$ 11,690</u>

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
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SUITE 200
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(813) 791-4020
TELECOPIER
(813) 797-3602

I N V O I C E

November 16, 1995

Hydratech Utilities, Inc.
6570 S.E. Federal Highway
Stuart, FL 34997

#352

For professional services rendered during
October, 1995, as follows:

1. Preparation of computer-generated financial statements and general ledger for the months of August and September, 1995	\$ 694.80
2. Preparation and review of the 1994 gross-up refund report	786.00
3. Payroll tax returns and IRS correspondence	170.50
4. Telephone, postage, Federal Express charges, and copies	<u>109.85</u>
Total	<u>\$1,761.15</u>

Cronin, Jackson, Nixon & Wilson
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SUITE 700
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(813) 797-3602

COPY

I N V O I C E

September 27, 1995

Hydratech Utilities, Inc.
6570 S.E. Federal Highway
Stuart, FL 34997

#352

For professional services rendered during
August, 1995, as follows:

1. Preparation of computer generated financial statements and monthly general ledger for the month of June, 1995	\$ 552.15
2. Partial billing for work completed on the PSC CIAC gross-up refund report	2,106.00
3. Prorata share of costs related to the PSC gross-up workshop and preparation of position on each of the issues raised by Staff	304.83
4. Preparation and review of the 1994 state and federal income tax returns	486.00
5. Telephone and postage	17.38
Total	<u>\$3,466.36</u>

94

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

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(813) 797-3662

COPY

I N V O I C E

August 14, 1995

Hydratech Utilities, Inc.
6570 S.E. Federal Highway
Stuart, FL 34997

#352

For professional services rendered during
July, 1995, as follows:

1. Preparation of computerized general ledger and financial statements for the month of May, 1995	\$ 958.75
2. Preparation and review of the 1995 indexed rate adjustment	280.00
3. Respond to second PSC Staff inquiry concerning CIAC level	210.00
4. Prepare response to PSC Staff questionnaire on Staff assisted rate cases for Class A & B utilities	218.00
5. Partial billing for work completed on the 1994 PSC gross-up refund report	2,967.25
6. Preparation and review of the 1994 state and federal income tax returns and amended returns	2,136.05
7. Preparation of payroll tax returns for the second quarter, 1995	108.00
8. Telephone, postage, and copies	<u>38.45</u>
Total	<u>\$6,916.50</u>

Cronin, Jackson, Nixon & Wilson
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COPY

I N V O I C E

July 14, 1995

Hydratech Utilities, Inc.
6570 S.E. Federal Highway
Stuart, FL 34997

#352

For professional services rendered during
June, 1995, as follows:

1. Preparation of computerized financial statements and general ledger for the month of April, 1995	\$ 670.50
2. Partial billing for work completed on the 1995 indexed rate adjustment	78.00
3. Review CIAC level in the water division and respond to second Staff inquiry regarding same	366.00
4. Partial billing for preparation of the 1994 CIAC gross-up refund report	936.00
5. Partial billing for work completed on the 1994 state and federal income tax returns	93.05
6. Telephone, postage, Federal Express charges, and copies	220.62
Total	<u>\$2,364.17</u>

Cronin, Jackson, Nixon & Wilson
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I N V O I C E

January 17, 1996

Hydratech Utilities, Inc.
6570 S.E. Federal Highway
Stuart, FL 34997

#352

For professional services rendered during
December, 1995, as follows:

1. Work completed this month related to preparation of reviewed financial statements for the year ended December 31, 1995	\$ 892.50
2. Work completed on the computerized financial statements and general ledger for the month of October, 1995	289.75
3. Work related to note receivable from Ridgeway and possible resolution of the issue, including income tax consequences	1,349.75
4. Respond to IRS inquiry and prepare amended tax returns (carryback of NOL)	438.75
5. Work related to the 1994 PSC gross-up refund application	140.00
6. Telephone and postage	30.03
Total	<u>\$3,140.78</u>

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

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(813) 797-3602

COPY

I N V O I C E

August 9, 1994

Hydratech Utilities, Inc.
6570 S.E. Federal Highway
Stuart, FL 33497

#352

For professional services rendered during
July, 1994 as follows:

1. Work completed in July on computerized general ledger and financial statements for the months of March, April, and May, 1994.	\$ 747.75
2. Prepare response to PSC questionnaire regarding proposed rule on audit access.	135.00
3. Preparation and review of the 1993 PSC gross-up refund report.	2,122.50
4. Preparation of payroll tax returns.	147.60
5. Telephone, Federal Express charges, and copies.	<u>50.26</u>
Total	<u>\$3,203.11</u>

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

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(813) 797-3602

I N V O I C E

July 21, 1994

Hydratech Utilities, Inc.
6570 S.E. Federal Highway
Stuart, FL 33497

#352

For professional services rendered during
June, 1994 as follows:

1. Preparation of computerized general ledger and financial statements for the months of March, April, and May, 1994.	\$ 933.25
2. Partial billing for work completed on the 1994 indexed rate adjustment.	207.00
3. Partial billing for work completed on the 1993 PSC gross-up report.	2,100.00
4. Telephone and postage.	16.86
Total	<u>\$3,257.11</u>

Hydratech Utilities, Inc.
Legal Expense for 1993 & 1994 Gross-up Reports

<u>Rose, Sundstrom & Bentley</u>	<u>Invoice Date</u>	<u>Fees</u>	<u>Costs</u>	<u>Total</u>
1993				
July, 1994	08/10/94	\$ 405	\$ 3	\$ 408
September, 1994	10/12/94	615	34	649
October, 1994	11/10/94	270	6	276
November, 1994	12/13/94	285	9	294
December, 1994	01/23/95	405	18	421
February, 1995	03/13/95	330	7	337
August, 1995	09/15/95	570	7	577
September, 1995	10/13/95	450		450
December, 1995 (50%)	01/16/96	45		45
March, 1996 (50%)	04/16/96	112	19	131
April, 1996 (50%)	05/15/96	67	6	73
Total actual costs		<u>\$ 3,554</u>	<u>\$ 107</u>	<u>\$ 3,661</u>
1994				
October, 1995	11/13/95	\$ 60	\$ 2	\$ 62
November, 1995	12/15/95	540	22	562
December, 1995 (50%)	01/16/96	45		45
March, 1996 (50%)	04/16/96	113	19	132
April, 1996 (50%)	05/15/96	68	7	75
Total actual costs		<u>\$ 828</u>	<u>\$ 50</u>	<u>\$ 878</u>
Summary				
		1993	1994	
Total actual costs per above		\$ 3,661	\$ 878	
Estimate to complete (50% each year), excluding work related to 1994 refund		1,400	1,400	
Refund work (\$750 + \$75)			825	
Total legal expense		<u>\$ 5,061</u>	<u>\$ 3,101</u>	

HYDRATECH UTILITIES, INC.
Estimate of Fees and Costs to Complete

<u>Description</u>	<u>Hours</u> @ \$150	<u>Costs</u>
1) Telephone conferences and discussions with Bob Nixon and client re: Staff proposal for disposition of gross-up funds; work on preparation of written response to same; finalize response and file with PSC; telephone conference with PSC and Staff members re: additional questions.	4.0	
Photocopies, telephone, postage, telecopies.		60.00
2) Telephone conference with Staff; telephone conference with Clerk re: obtaining Staff Recommendation; review Staff Recommendation; draft letter to client and Bob Nixon re: same; telephone conferences re: same.	3.0	
Photocopies, telephone, postage, telecopies.		60.00
3) Prepare for and attend Agenda Conference and presentation to Commission; draft letter to client re: outcome of Agenda Conference.	5.0	
Photocopies, telephone, postage, telecopies.		30.00
4) Telephone conferences with client re: anticipated Commission order; telephone conference with Bob Nixon re: same; contact Commission Clerk re: obtaining order; review order; draft letter to client re: order and options related to same.	3.5	
Photocopies, telephone, postage, telecopies.		50.00
5) Telephone conference with Clerk re: finalization of PAA order; telephone conferences with Bob Nixon and client; draft letter to client re: same and re: requirements for implementation of same.	1.5	
Photocopies, telephone, postage, telecopies.		50.00
*6) Work with client and Bob Nixon re: preparation of reports on disposition of gross-up funds and re: reporting on same; review documents received from client; organize same and submit with cover letter re: final disposition report; telephone conferences with Staff re: same and final letter to client re: same.	5.0	
Photocopies, telephone, postage, telecopies.		75.00
	22.0	
	<u>@ \$ 150.00</u>	
TOTAL	<u>\$3,300.00</u>	<u>\$325.00</u>

*This additional item is only necessary to the extent that refunds are required after formal Commission action.

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

P O BOX 1887

TALLAHASSEE, FLORIDA 32302

(904) 877-8888

P. H. # 98 2782636

PLEASE REFER TO INVOICE NUMBER
WHEN REMITTINGHYDRATECH UTILITIES, INC
C/O MR. GERALD BOBO
6570 S E FEDERAL HWY
STUART, FL 33497-8330INVOICE # 12169
AUGUST 10, 1994
FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC		
07/15/94	REVIEW NIXON'S SCHEDULES AND TAX RETURNS RE: 1993 GROSS-UP CALCULATIONS: DRAFT LETTER TO MR. HILL AND CLERK. RE: SAME AND FILE SAME.	2.20	
07/19/94	REVIEW GROSS-UP TARIFF REVISION APPROVAL. TRANSMIT TO CLIENT.	0.50	
		2.70	405.00
	PHOTOCOPIES	3.00	
	TOTAL COSTS ADVANCED		3.00
	TOTAL STATEMENT		\$408.00

PLEASE REFER TO INVOICE # WHEN REMITTING

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY
 A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
 P. O. BOX 1887
 TALLAHASSEE, FLORIDA 32302-1887
 (904) 877-8888

PLEASE REFER TO INVOICE NUMBER
 WHEN REMITTING

FEI # 80-2783838

INVOICE # 12398
 OCTOBER 12, 1994
 FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC	
09/15/94	REVIEW TARIFF RECEIVED RE: REVISIONS TO GROSS-UP TARIFFS AND PROCEDURES; TELEPHONE CONFERENCE WITH NIXON RE: SAME AND OTHER ATTORNEYS RE: COORDINATION OF POSITION AT AGENDA; REVIEW OLD TARIFFS AND COMPARE.	0.90
09/19/94	FINISH REVIEW OF TARIFFS AND NOTES; TELEPHONE CONFERENCE WITH NIXON RE: POINTS NEEDING ATTENTION; TELEPHONE CONFERENCE WITH COUNSEL FOR FLORIDA CITIES WATER COMPANY AND SOUTHERN STATES UTILITIES RE: SAME AND COORDINATION OF POSITIONS; TELEPHONE CONFERENCE WITH IWENJIORA RE: MAJOR AREAS OF CONCERN AND POSITIONS RE: SAME.	0.90
09/19/94	PREPARE FOR AGENDA; TELEPHONE CONFERENCE WITH IWENJIORA AND ROMIG; SET UP MEETING IN ADVANCE OF AGENDA; BEGIN PREPARATION OF PROPOSED CHANGES; GO TO PSC FOR MEETING WITH STAFF MEMBERS CASSEBAUX, IWENJIORA, MCCASKILL AND ROMIG; WORK WITH STAFF ON REVISIONS TO PROPOSED CHANGES WHICH ARE ACCEPTABLE TO BOTH SIDES; TELEPHONE CONFERENCE WITH NIXON AND OTHERS RE: PROPOSED AGREEMENT; DRAFT LANGUAGE AGREED ON IN FINAL FORM FOR DISTRIBUTION AT AGENDA; REVIEW ORDERS ON GROSS-UP; GO TO AGENDA AND PRESENT CHANGES TO STAFF RECOMMENDATION TO COMMISSIONERS.	0.00
09/20/94	DRAFT LETTER TO CLIENT RE: PSC DECISION AND EFFECT OF SAME AND TIMING OF ORDER.	0.90

4.10

615.00

Continued

FMD

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY

A SERVICE FIRM INCLUDING PROFESSIONAL ASSOCIATIONS

P.O. BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

(904) 877-8888

PLEASE REFER TO INVOICE NUMBER
WHEN REMITTING

FBI # 98-278338

HYDRATECH UTILITIES, INC

INVOICE # 12395
OCTOBER 12, 1994
FILE # 25021-0007

PAGE 2

LONG DISTANCE CALLS	3.95	
TELECOPIER	11.00	
PHOTOCOPIES	19.50	
TOTAL COSTS ADVANCED		34.45
TOTAL STATEMENT		3649.45

PLEASE REFER TO INVOICE # WHEN REMITTING

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY
A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
P O BOX 1807
TALLAHASSEE, FLORIDA 32308-1807
(904) 877-8866

P.E.L. # 88-3783838

PLEASE REFER TO INVOICE NUMBER
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HYDRATECH UTILITIES, INC
C/O MR. GERALD BOBO
5570 S E FEDERAL HWY
STUART, FL 33497-8330

INVOICE # 12505
NOVEMBER 10, 1994
FILE # 25021-0007

PAGE 1

MATTER GROSS-UP OF CIAC

10/17/94	REVIEW ORDER ON GROSS-UP FORMULA	1.00	
	REVISION: LETTER TO CLIENT RE: SAME AND EFFECT OF SAME.	1.00	270.00
	PHOTOCOPIES	6.00	
	TOTAL COSTS ADVANCED		6.00
	TOTAL STATEMENT		276.00

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LAW OFFICES
ROSE, SUNDSTROM & BENTLEY
A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
P. O. BOX 1967
TALLAHASSEE, FLORIDA 32308-1967
(904) 877-8888

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F.G.I. # 98-3763630

HYDRATECH UTILITIES, INC
C/O MR. GERALD BOBO
6570 S E FEDERAL HWY
STUART, FL 33497-8330

INVOICE # 12623
DECEMBER 19, 1994
FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC		
11/03/94	REVIEW FILE: TELEPHONE CONFERENCE WITH CLERK RE: STATUS OF ORDER ON GROSS-UP AND DETERMINE NO PROTESTS: LETTER TO CLIENT RE: SAME.	0.70	
11/04/94	REVIEW TARIFFS: DRAFT REVISED GROSS-UP TARIFF SHEETS AND FILE WITH COVER LETTER TO PSC.	1.20	
		1.90	285.00
	PHOTOCOPIES	6.50	
	TOTAL COSTS ADVANCED		6.50
	TOTAL STATEMENT		\$293.50

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ROSE, SUNDSTROM & BENTLEY
 A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
 P. O. BOX 1687
 TALLAHASSEE, FLORIDA 32302-1687
 (904) 877-8888

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FEI # 60-2793638

HYDPATECH UTILITIES, INC
 C/O MR. GERALD BOBO
 5570 S E FEDERAL HWY
 STUART, FL 33497-8330

INVOICE # 12948
 JANUARY 23, 1995
 FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC		
12/01/94	TELEPHONE CONFERENCE WITH STAFF RE: ADDITIONAL CHANGES TO TARIFF NEEDED AND REVIEW FILE AND AGREEMENT RE: WORDING CHANGES.	0.60	
12/02/94	REVIEW FILES AND TARIFFS: DRAFT REVISED VERSIONS OF TARIFFS AND SEND TO MS. INENJORA OF PSC STAFF WITH COVER LETTER.	1.20	
12/25/94	REVIEW LETTER FROM MR. HILL AND NEW TARIFFS RECEIVED.	0.10	
12/29/94	COMPARE TARIFFS TO FILE AND DRAFT LETTER TO CLIENT RE: SAME AND SEND	0.80	
		2.70	405.00
	LONG DISTANCE CALLS	2.05	
	PHOTOCOPIES	13.55	
	TOTAL COSTS ADVANCED		15.60
	TOTAL STATEMENT		420.60

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 P. O. BOX 1087
 TALLAHASSEE, FLORIDA 32306-1087
 (904) 877-8888

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F.B.I. # 88-270320

HYDRATECH UTILITIES, INC
 C/O MR. GERALD BOBO
 6570 S E FEDERAL HWY
 STUART, FL 33497-8330

INVOICE # 13024
 MARCH 13, 1995
 FILE # 25021-0007

PAGE 1

MATTER			
	GROSS-UP OF CIAC		
02/24/95	TELEPHONE CONFERENCE WITH MR. KEATHLEY AND MR. BOBO RE: GROSS-UP OF CIAC AND NEED FOR LETTER TO SHOW DEVELOPER: REVIEW TARIFF AND ORDER AND DRAFT LETTER TO MR. KEATHLEY AND MR. BOBO RE: SAME.	2.20	
		2.20	330.00
	TELECOPIER	3.00	
	PHOTOCOPIES	3.50	
	TOTAL COSTS ADVANCED		6.50
	TOTAL STATEMENT		\$336.50

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 P. O. BOX 1867
 TALLAHASSEE, FLORIDA 32302-1867
 (904) 877-6868

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P.C. # 88-2703638

HYDRATECH UTILITIES, INC
 C/O MR. GERALD BOHO
 6570 S E FEDERAL HWY
 STUART, FL 33497-8330

INVOICE # 13751
 SEPTEMBER 15, 1995
 FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC		
08/11/95	REVIEW NOTICE OF GROSS-UP WORKSHOP AND SEND WITH COVER LETTER TO MR. KEATHLEY.	1.20	
08/18/95	REVIEW NIXON DRAFT RESPONSES TO STAFF ISSUES IN WORKSHOP NOTICE; TELEPHONE CONFERENCE WITH NIXON RE: SAME.	0.40	
08/28/95	TELEPHONE CONFERENCE WITH NIXON RE: PREPARATION FOR WORKSHOP RE: FLORIDA CITIES WATER COMPANY COMMENTS RE: SAME.	0.30	
08/29/95	CONTINUE TELEPHONE CONFERENCE WITH NIXON IN PREPARATION FOR WORKSHOP.	0.30	
08/30/95	ORGANIZE AND REVIEW VARIOUS ORDERS AND DOCUMENTS; PREPARE FOR AND ATTEND WORKSHOP ON GROSS-UP; MEETING WITH NIXON AND OTHERS AFTER MEETING.	0.80	
08/30/95	ORGANIZE AND REVIEW VARIOUS ORDERS AND DOCUMENTS; PREPARE FOR AND ATTEND WORKSHOP ON GROSS-UP; MEETING WITH NIXON AND OTHERS AFTER MEETING.	0.80	
		3.80	570.00
	PHOTOCOPIES	6.75	
	TOTAL COSTS ADVANCED		6.75
	TOTAL STATEMENT		\$576.75

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ROSE, SUNDSTROM & BENTLEY
 A FURTHERMENT INCLUDING PROFESSIONAL ASSOCIATIONS
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 TALLAHASSEE, FLORIDA 32302-1467
 (904) 877-8888

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F.E.I. # 66-3782638

HYDRATECH UTILITIES, INC
 C/O MR. GERALD BOBO
 6570 S E FEDERAL HWY
 STUART, FL 33497-8330

INVOICE # 13888
 OCTOBER 13, 1995
 FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC	
09/05/95	REVIEW NOTES; DRAFT EXTENSIVE LETTER TO CLIENT RE: OUTCOME OF WORKSHOP AND PROPOSAL FOR RESOLVING GROSS-UP MATTERS; TELEPHONE CONFERENCE WITH BOB NIXON RE: SAME.	0.90
09/07/95	REVIEW FIRST DRAFT OF GROSS-UP METHODOLOGY CHANGE PROPOSAL FROM BOB NIXON; MAKE SUGGESTED REVISIONS AND FAX TO MR. NIXON; TELEPHONE CONFERENCE WITH MR. NIXON RE: SAME; REVIEW VARIOUS DOCUMENTS RE: SAME.	0.40
09/08/95	LETTER TO JIM BOWEN RE: BOB NIXON'S DRAFT; TELEPHONE CONFERENCE WITH MR. NIXON RE: DRAFT; REVIEW FINAL VERSION OF GROSS-UP FILING AND SEND WITH COVER LETTER TO CLIENT.	0.30
09/11/95	TELEPHONE CONFERENCE WITH JIM BOWEN RE: REACTION TO GROSS-UP MEMO; TELEPHONE CONFERENCE WITH BOB NIXON RE: SAME AND OTHER REACTIONS.	0.20
09/12/95	REVIEW EXTENSIVE COMMENTS AND SUGGESTIONS FROM FLORIDA CITIES WATER COMPANY RE: BOB NIXON'S GROSS-UP PROPOSAL AND TELEPHONE CONFERENCE WITH MR. NIXON RE: SAME.	0.20
09/21/95	REVIEW NOTICE AND LETTER TO PSC RE: DUE DATE FOR INPUT FOR COMMISSION WORKSHOP.	0.10
09/23/95	REVIEW BOB NIXON'S REVISED VERSION OF GROSS-UP PROPOSAL; DRAFT REVISIONS AND SEND TO MR. NIXON.	0.30
09/25/95	TELEPHONE CONFERENCE WITH BOB NIXON RE: CHANGES TO PROPOSAL AND FINALIZATION; LETTER TO CLIENT RE: PLAN FOR MEETING.	0.20
09/27/95	REVIEW FINAL DRAFT OF GROSS-UP PROPOSAL FROM BOB NIXON; PREPARE COVER LETTER;	0.40

Emj

Continue

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A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
P.O. BOX 1487
TALLAHASSEE, FLORIDA 32302-1487
(904) 877-8555

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FEI # 88-376266

HYDRATECH UTILITIES, INC

INVOICE # 13888
OCTOBER 13, 1995
FILE # 25021-0007

PAGE 2

REVIEW FLORIDA CITIES' COMMENTS; FILE
ALL WITH PSC; TELEPHONE CONFERENCE WITH
MR. NIXON RE: ALL.

3.00 450.00

TOTAL COSTS ADVANCED 0.00

TOTAL STATEMENT \$450.00

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LAW OFFICES
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A PARTNERSHIP HOLDING PROFESSIONAL ASSOCIATIONS
P. O. BOX 1687
TALLAHASSEE, FLORIDA 32302-1687
(904) 877-8888

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FEI # 56-378336

HYDRATECH UTILITIES, INC
C/O MR. GERALD BOBO
6570 S E FEDERAL HWY
STUART, FL 33497-8330

INVOICE # 14032
NOVEMBER 13, 1995
FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC		
10/03/95	TELEPHONE CONFERENCE WITH BOB NIXON; REVIEW FILES; ORGANIZE AND PREPARE FOR MEETING OF INTERESTED PERSONS BEFORE PSC WORKSHOP.	0.20	
10/04/95	TELEPHONE CONFERENCE WITH STAFF ATTORNEY AND ANALYST RE: CANCELLATION OF MEETING; TELEPHONE CONFERENCE WITH BOB NIXON AND WITH OTHER PARTICIPANTS RE: CANCELLATION OF MEETING AND MEMO TO ALL RE: SAME.	0.20	
		0.40	60.0
	TELECOPIER	1.50	
	TOTAL COSTS ADVANCED		1.5
	TOTAL STATEMENT		\$61.5

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ROSE, SUNDSTROM & BENTLEY
 A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
 P O BOX 1087
 TALLAHASSEE, FLORIDA 32302-1087
 (904) 877-0888

P.E. # 00-070230

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WHEN REMITTING

HYDRATECH UTILITIES, INC
 C/O MR. GERALD BOBO
 6570 S E FEDERAL HWY
 STUART, FL 33497-0330

INVOICE # 14178
 DECEMBER 15, 1995
 FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC		
11/02/95	REVIEW GROSS-UP REPORTS FOR 1994 FROM BOB NIXON; DRAFT LETTER TO CLERK AND LETTER TO CHUCK HILL.	2.30	
11/13/95	REVIEW NOTICE OF NEWLY SCHEDULED COMMISSION WORKSHOP ON GROSS-UP; DRAFT LETTER TO JAMES MOORE, PRESIDENT OF FLORIDA WATERWORKS ASSOC. RE: SAME; SEND TO ALL INTERESTED PARTIES; TELEPHONE CONFERENCE WITH BOB NIXON RE: SAME AND FAX TO ALL.	0.20	
11/28/95	BEGIN ORGANIZATION OF DOCUMENTS FOR WORKSHOP; TELEPHONE CONFERENCE WITH STAFF RE: PACKAGE TO COMMISSIONERS; OBTAIN AND BRIEFLY REVIEW SAME; TELEPHONE CONFERENCE WITH MICHAEL MURPHY OF FLORIDA CITIES; TELEPHONE CONFERENCE WITH BOB NIXON; FAX EXCERPTS OF STAFF INFORMATION TO MR. NIXON; TELEPHONE CONFERENCE WITH JIM MOORE, PRESIDENT OF FLORIDA WATERWORKS.	0.30	
11/23/95	PREPARE FOR WORKSHOP ON GROSS-UP; MEETING WITH BOB NIXON, JIM MOORE AND RON NUNES IN ADVANCE OF SUCH MEETING; TELEPHONE CONFERENCE WITH KEN GATLIN RE: SAME; ORGANIZE MATERIALS; ATTEND WORKSHOP AT PSC.	3.00	
11/29/95		0.80	
		3.40	540.00
	LONG DISTANCE CALLS	11.62	
	TELECOPIER	5.00	
	PHOTOCOPIES	5.50	
	TOTAL COSTS ADVANCED		22.1
	TOTAL STATEMENT		552.1

Continue

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A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
P.O. BOX 1487
TALLAHASSEE, FLORIDA 32303-1487
(904) 877-8888

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P.E.I. # 80-2783838

HYDRATECH UTILITIES, INC

INVOICE # 14178
DECEMBER 15, 1995
FILE # 25021-0007

PAGE 2

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LAW OFFICES
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A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
P. O. BOX 1667
TALLAHASSEE, FLORIDA 32309-1667
(904) 877-8888

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FEI # 66-2792838

HYDRATECH UTILITIES, INC
C/O MR. GERALD BOBO
6570 S E FEDERAL HWY
STUART, FL 33497-8330

INVOICE # 14316
JANUARY 16, 1996
FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC		
12/04/95	REVIEW ORDERS RE: GROSS-UP AND TARIFFS AND NOTES FROM WORKSHOP; DRAFT LETTER TO CLIENT RE: OUTCOME OF WORKSHOP AND CONCERNS RE: RETROACTIVE APPLICATION AND NEED FOR FOLLOW-UP ON ISSUES RAISED BY STAFF AND COMMISSIONERS.	0.60	
		0.60	90.00
	TOTAL COSTS ADVANCED		0.00
	TOTAL STATEMENT		\$90.00

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LAW OFFICES
ROSE, SUNDSTROM & BENTLEY
 A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
 P. O. BOX 1987
 TALLAHASSEE, FLORIDA 32302-1987
 (904) 877-6866

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F.E.I. # 90-2783638

HYDRATECH UTILITIES, INC
 C/O MR. GERALD BOBO
 6570 S E FEDERAL HWY
 STUART, FL 33497-8330

INVOICE # 14845
 APRIL 16, 1996
 FILE # 25021-0007

PAGE 1

MATTER			
	GROSS-UP OF CIAC		
03/05/96	REVIEW GROSS-UP INFORMATION AND LETTER TO CHARLES HILL RE: REQUESTED DELAY IN PROCESSING; PREPARE A LETTER TO BOB NIXON RE: STAFF REQUEST FOR INFORMATION ON GROSS-UP.	1.50	
		1.50	225.00
	PHOTOCOPIES	7.50	
	LEXIS SERVICE	30.00	
	TOTAL COSTS ADVANCED		37.50
	TOTAL STATEMENT		\$262.50

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LAW OFFICES
ROSE, SUNDSTROM & BENTLEY
 A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
 P O BOX 1887
 TALLAHASSEE, FLORIDA 32302-1887
 (904) 877-8886

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E I # 89-3788638

HYDRATECH UTILITIES, INC
 C/O MR. GERALD BOBO
 6570 S E FEDERAL HWY
 STUART, FL 33497-8330

INVOICE # 14922
 MAY 15, 1996
 FILE # 25021-0007

PAGE 1

MATTER	GROSS-UP OF CIAC		
04/25/96	OBTAIN AND REVIEW STAFF RECOMMENDATION ON GROSS-UP; SEND WITH COVER LETTER TO CLIENT.	0.40	
04/30/96	PREPARE FOR AND ATTEND AGENDA CONFERENCE ON GROSS-UP PROPOSAL.	0.50	
		0.90	135.0
	TELECOPIER	2.00	
	PHOTOCOPIES	10.75	
	TOTAL COSTS ADVANCED		12.7
	TOTAL STATEMENT		\$147.7

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State of Florida

Commissioners:

SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF WATER &
WASTEWATER
CHARLES HILL
DIRECTOR
(904) 413-6900

Public Service Commission

June 18, 1996

Mr. F. Marshall Deterding
Rose, Sundstrom & Bentley
Post Office Box 1567
Tallahassee, FL 32302-1567

Dear Mr. Deterding:

Re: 1991, 1992, 1993, and 1994 CIAC Reports for Hydratech Utilities, Inc.

Pursuant to Order No. PSC-96-0686-FOF-WS, all current Contributions-in-aid-of-Construction (CIAC) gross-up cases or any CIAC gross-up cases filed prior to any change in Commission policy, shall be processed under the provisions of Order Nos. 16791 and 23541. Therefore, the letter originally sent to you on February 15, 1996, requesting a response is being resubmitted. Please note, however, that the preliminary refund calculation and the letter originally sent to you on February 15, 1996, regarding this matter is incorrect and should be replaced with this letter and the attached preliminary calculation.

We have reviewed the Special Reports of Hydratech Utilities, Inc., consisting of Schedules Nos. 1 through 5. A copy of our preliminary analysis of the refund calculation is attached. Staff's calculations differ from the utility's in several areas: For 1991, our calculation includes first year's depreciation on CIAC and for the years 1991-1994, Adjusted Income Before CIAC and Gross-up differs from the utility.

For 1991-1994 (Schedule No. 2), the utility placed the entire amount of Interest Income Below the Line. Staff has adjusted Interest Income to reflect a portion of the income as Above the Line. In 1991, 1992, 1993, and 1994, the utility earned \$460.50, \$1,074.26, \$168, and \$689 on the Gross-up Escrow Account. Therefore, for 1991-1994, these amounts have been placed Above the Line, and accordingly, \$39,872, \$88,883, \$86,982, and \$105,990 has been placed Below the Line.

Letter to Mr. Deterding
June 18, 1996
Page Two

For 1992-1994 (Schedule No. 2), Above and Below the Line Expense for Compensation of Officers has been adjusted by staff. The utility's Annual Reports for 1992, 1993, and 1994 shows \$91,200, \$94,301 and \$98,369 as the Expense for Salaries and Wages - Officers, Directors and Majority Stockholders. Therefore, Officers Compensation for 1992, 1993, and 1994 has been adjusted to reflect the entire amount as Above the Line. Also, the utility's annual report for 1992 show legal expenses as \$148,627, therefore legal expenses has been adjusted to reflect the entire amount, \$138,627 as Above the Line.

For 1991-1994, (Schedule No. 2), Above and Below Amortization of Loan Costs has been adjusted by staff. The utility's Annual Reports for 1991-1994 show that these costs were expensed. Therefore, Amortization of Loan Costs for 1991-1994 has been adjusted to reflect a certain amount as Above the Line.

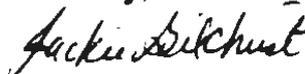
In addition to the above, (Schedule No. 2), would you please explain why the utility did not include Gross-up in the amount of \$91,555 in calculating the total for Above the Line Taxable Income for 1992?

Based upon our review, we agree that Hydratech does not owe a refund for 1991 and 1992 and that the utility should refund \$340 and \$21,500 (excluding interest) for 1993 and 1994, respectively. You have indicated that because of the immaterial amount of excess gross-up collected for 1993, Hydratech proposes to book the \$340 as CIAC instead of making a refund and that the cost of refunding such a small amount would far exceed the amount of the refund. How many customers are entitled to receive the \$340 refund?

If the utility disagrees with staff's calculations, alternative or corrected amounts along with supporting documentation should be provided no later than July 26, 1996. Answers to the questions above should be filed by July 26, 1996, as well.

Should you have any questions, please do not hesitate to contact me.

Sincerely,



Jackie Gilchrist
Regulatory Analyst

Enclosures

cc: Division of Water and Wastewater (Hill)
Division of Auditing and Financial Analysis (Causseaux)
Mr. Robert C. Nixon

STAFF CALCULATED GROSS-UP REFUND

	1991	1992	1993	1994
1 Form 1120, Line 80 (Line 15)	\$ 655,577	\$ 321,637	\$ 166,816	248,344
2 Less CIAC (Line 7)	(492,450)	(205,868)	(23,040)	(179,860)
3 Less Gross-up Collected (Line 10)	(26,788)	(91,555)	(13,712)	(106,602)
4 Add First Year's Depr on CIAC (Line 8)	7,488	11,439	876	9,406
5 Add/Less Other Effects (Lines 20 & 21)	(461)	(1,074)	(168)	(689)
6				
7 Adjusted Income Before CIAC and Gross-up	\$ 143,314	\$ 34,579	\$ 180,772	(29,401)
8				
9 Taxable CIAC (Line 7)	\$ 492,450	\$ 205,868	\$ 23,040	179,860
10 Less first years depr. (Line 8)	\$ (7,488)	\$ (11,439)	\$ (876)	(9,406)
11				
12 Adjusted Income After CIAC	\$ 628,328	\$ 229,008	\$ 152,936	141,053
13 Less: NOL Carry Forward	\$ 0	\$ 0	\$ 0	0
14				
15 Net Taxable CIAC	\$ 485,014	\$ 194,429	\$ 22,164	141,053
16 Combined Marginal state & federal tax rates	37.63%	37.63%	37.63%	37.63%
17				
18 Net Income tax on CIAC	\$ 182,511	\$ 73,164	\$ 8,340	53,078
19 Less ITC Realized	0	0	0	0
20				
21 Net Income Tax	\$ 182,511	\$ 73,164	\$ 8,340	53,078
22 Expansion Factor for gross-up taxes	1.6033349	1.6033349	1.6033349	1.6033349
23				
24 Gross-up Required to pay tax effect	\$ 292,626	\$ 117,306	\$ 13,372	85,102
25 Less CIAC Gross-up collected (Line 19)	(26,788)	(91,555)	(13,712)	(106,602)
26				
27 (OVER) OR UNDER COLLECTION	\$ 265,838	\$ 25,751	\$ (340)	(21,500)
28				
29				
30 TOTAL YEARLY REFUND	\$ 0	\$ 0	\$ (340)	(21,500)
31				
32				
33 PROPOSED REFUND (excluding interest)	(21,840)			
34				