

DOCKET NO. 970832

REQUEST TO ESTABLISH DOCKET

Date 07/0797

1. Division Name/Staff Name Water and Wastewater/Cheryl Johnson
2. OPR Cheryl Johnson
3. OCR _____
4. Suggested Docket Title Disposition of Contribution-Aid-Of-Construction Gross-up Funds Collected By Palm Coast Utilities in Flagler County

5. Suggested Docket Mailing List (attach separate sheet if necessary)

- A. Parties (Provide names of regulated companies or use abbreviation from list below if Parties should include all regulated companies in one or more industries; provide names and addresses of nonregulated companies; provide names, addresses, and affiliation (i.e., attorney, company liaison officer, or customer of individuals.)

Palm Coast Utility Corporation

Wayne Schiefelbein

2 Utility Drive

Gatlin, Wood, Carlson & Cowdery

Palm Coast, Florida 32137

The Mahan Station, 1709-D Mahan Drive

Tallahassee, Florida 32308

- B. Interested Persons/Companies (Provide names, complete mailing addresses, and affiliation. Use abbreviation from list below if Interested Persons should include all regulated companies in one or more industries.)

REGULATED INDUSTRIES

Investor-Owned Electrics	(EI)	Water Utilities	(WU)
Electric Cooperatives	(EC)	Local Exchange Telephone Cos.	(TL)
Municipal Electrics	(EM)	Interexchange Telephone Cos.	(TI)
Gas Utilities	(G)	Coin-Operated Telephone Cos.	(TC)
Wastewater Utilities	(J)	Shared Tenant Telephone Cos.	(TS)
		Alternate Access Vendors	(TA)

6. Check One:

Documentation attached.

Documentation will be provided with recommendation.

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MAIL ROOM

February 24, 1997

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MAR 4 1997

Ms. Connie L. McCaskill
Supervisor/Limited Filings
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-8073

Florida Public Service Commission
Division of Water and Wastewater

Re: 1995 CIAC Gross-up Report

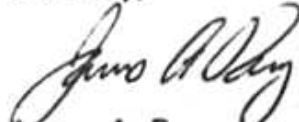
Dear Ms. McCaskill

Attached to this letter is Palm Coast Utility Corporations 1995 CIAC Gross-up Report in compliance with Order No. 24129. Also attached is the following supporting information described in Order No. 16971:

- Schedules showing the treatment of CIAC in Palm Coast Utility's 1995 tax workpapers are enclosed.
- Tariff pages, regarding the gross-up are enclosed.
- It is not practical to furnish signed copies of the Consolidated Federal and State income tax returns of ITT Industries, Palm Coast Utility's parent company. Palm Coast Utility's tax workpapers are available for review at the above address.

Please call if I can provide any further information.

Sincerely,



James A. Perry
Vice President of Finance

JAP/bmg

cc: W. Schiefelbein
B. Bilinski
McCaskill, LTR

Palm Coast Utility Corporation

CIAC REPORT
 FOR TAX RETURN YEAR ENDED 12/31 19 95

COMPANY: Palm Coast Utility Corporation

	<u>TOTAL</u> <u>COMPANY</u>	<u>NON</u> <u>JURISDICTIONAL</u>	<u>JURISDICTIONAL</u>
1. Total CIAC	\$ 4,393,279	\$	\$ 4,393,279
2. Total Connection Fees	()	()	()
3. Total Installation Fees	(78,030)	()	(78,030)
4. Total Prepaid Connection Fees (not in (2))	()	()	()
5. Total Tap-in Fees	(106,058)	()	(106,058)
6. Total Jack & Bore Fees	()	()	()
7. CIAC Taxable Because of Amendment to Section 118	<u>\$ 4,209,191</u>	<u>\$</u>	<u>\$ 4,209,191</u>
8. Depreciation on (7)	(135,344)	()	(135,344)
9. Taxable Income Effect of (7)	<u>\$ 4,073,847</u>	<u>\$</u>	<u>\$ 4,073,847</u>
10. Form 1120, Line 11	\$ 15,980,379	\$ 95,161	\$ 15,885,218
11. LESS: Form 1120, Line 17	(11,402,878)	(44,796)	(11,358,082)
12. Form 1120, Line 28	<u>\$ 4,577,501</u>	<u>\$ 50,365</u>	<u>\$ 4,527,136</u>
13. LESS: Form 1120, Line 29a	()	()	()
14. LESS: Form 1120, Line 29b	()	()	()
15. Form 1120, Line 30	\$ 4,577,501	\$ 50,365	\$ 4,527,136
16. LESS: Not CIAC Taxable Because of TRA '86 (from Line (9))	(4,073,847)	()	(4,073,847)
17. PLUS(LESS): Other CIAC Effects of TRA '86 (attached)	<u>(1,124,260)</u>	<u></u>	<u>(1,124,260)</u>
18. Adjusted Form 1120, Line 30	<u>\$ (620,606)</u>	<u>\$ 50,365</u>	<u>\$ (670,971)</u>
Current Combined Federal & State Tax Rate <u>38.58%</u>			
19. CIAC Gross-up Collections	\$ 1,113,514	\$	\$ 1,113,514
20. CIAC Gross-up Refunds	()	()	()
21. Interest on gross-up collections, net of tax	<u>10,746</u>	<u></u>	<u>10,746</u>
22. Net CIAC Gross-up To Be Applied To Line (9)	<u>\$ 1,124,260</u>	<u>\$</u>	<u>\$ 1,124,260</u>
CIAC Gross-up Rate Used <u>33.54%</u>			

June 18, 1997



Ms. Cheryl Johnson
Florida Public Service Commission
Div. of Water and Wastewater
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

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Florida Public Service Commission
Division of Water and Wastewater

Dear Ms. Johnson:

In response to your telephone inquiry, the following is provided to clarify CIAC Gross-up for 1995:

	<u>1995</u>
Prepaid CIAC:	
Placed in Trust	\$715,540
Non Trust	<u>173,594</u>
	889,134
CIAC Subject to Gross-up	<u>3,320,057</u> ☺
Total Fully Taxable*	\$4,209,191
Tax Liability on above	\$1,623,695
Gross-up Collected	\$1,113,514

*Due to Amendment of Section 118b

Please call me if I may be of further assistance.

Sincerely,

Brian Bilinski
Assistant Controller

cc: K. Gatlin
 J. Perry