

DOCKET NO. 980943-WS

REQUEST TO ESTABLISH DOCKET

Date 07/25/98

1. Division Name/Staff Name Water and Wastewater/Connie L. McCaskill *CM*
2. OPR Connie L. McCaskill
3. OCR \_\_\_\_\_
4. Suggested Docket Title Disposition of Contributions-In-Aid-Of-Construction Gross-up Funds Collected By Gulf Utility Company in Lee 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.)

<u>Cronin, Jackson, Nixon &amp; Wilson</u>	<u>Gatlin, Schiefelbein &amp; Cosdery, P.A.</u>
<u>Mr. Robert Nixon</u>	<u>Mr. B. Kenneth Gatlin</u>
<u>2560 Gulf-To-Bay Blvd. Suite 200</u>	<u>3301 Thomasville Road, Suite 300</u>
<u>Clearwater, Florida 33765-4419</u>	<u>Tallahassee, Florida 32312</u>

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 (GU)	Coin-Operated Telephone Cos. (TC)
Wastewater Utilities (SU)	Shared Tenant Telephone Cos. (TS)
	Alternate Access Vendors (TA)

6. Check One:

- Documentation attached.
- Documentation will be provided with recommendation.

DOCUMENT NO.  
07903-98  
7-27-98

*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.  
BRENDA W. McBARRON, C.P.A.  
ROBERT C. NIXON, C.P.A.  
HOLLY M. TOWNER, C.P.A.  
JAMES L. WILSON, C.P.A.

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MAR 30 1994

Florida Public Service Commission  
Division of Water and Wastewater

March 29, 1994

Officers and Directors  
Gulf Utility Company

As requested, we have prepared the accompanying Special Report of Gulf Utility Company, consisting of Schedules No. 1 through No. 6. This report is intended solely for use in fulfilling certain reporting requirements related to collection of tax impact charges on contributions in aid of construction, for the year ended December 31, 1992, to be filed with the Florida Public Service Commission. We have not audited or reviewed this Special Report and express no opinion or any other form of assurance on it.

*Cronin, Jackson, Nixon & Wilson*

CRONIN, JACKSON, NIXON & WILSON

**Gulf Utility Company**  
**Schedule of Tax on CIAC, Gross-up Required and Proposal Refund**  
**Year Ended December 31, 1992**  
**(unaudited)**

Taxable CIAC (Schedule No. 2)	\$ 528,301
Less: First year depreciation on CIAC (Schedule No. 5)	<u>(4,886)</u>
Net taxable CIAC	523,415
Marginal tax rate	<u>0.3763</u>
Income tax on CIAC	196,961
Factor for gross-up	<u>1.6033</u>
Gross-up required	315,788
Actual gross-up collected	<u>(321,518)</u>
Excess gross-up collected (1)	\$ <u><u>5,730</u></u>

**Gulf Utility Company**  
**Schedule of Above and Below the Line Taxable Income**  
**Tax Year Ended December 31, 1992**  
**(unaudited)**

**Above the line taxable income**

<b>Gross receipts/sales</b>	\$ 2,618,804
<b>Meter, tap fees and miscellaneous CIAC not subject to gross-up</b>	<u>43,487</u>
<b>Deductions:</b>	<u>2,662,291</u>
<b>Compensation of officers</b>	184,221
<b>Salaries and wages</b>	317,332
<b>Bad debts</b>	2,690
<b>Rents</b>	3,952
<b>Taxes</b>	271,261
<b>Interest (Schedule No. 3)</b>	522,513
<b>Depreciation (Schedule No. 5)</b>	302,298
<b>Employee benefits</b>	166,388
<b>Other deductions excluding amortization, meals and entertainment, and engineering</b>	<u>738,789</u>
	<u>2,509,444</u>
 <b>Above the line income before CIAC</b>	 <u>152,847</u>
 <b>CIAC:</b>	
<b>Taxable CIAC</b>	528,301
<b>Gross-up collections</b>	<u>321,518</u>
	<u>849,819</u>
 <b>Total above the line income</b>	 <u>1,002,666</u>

**Below the line taxable income (loss)**

<b>Income:</b>	
<b>Interest income</b>	\$ <u>343,591</u>
 <b>Deductions:</b>	
<b>Amortization of bond issue costs</b>	6,344
<b>Taxes</b>	19,398
<b>Interest (Schedule No. 3)</b>	435,289
<b>Depreciation (Schedule No. 5)</b>	477,964
<b>Other deductions:</b>	
<b>Miscellaneous amortization</b>	603
<b>Meals and entertainment</b>	2,045
<b>Engineering</b>	<u>22,040</u>
	<u>963,683</u>
 <b>Total below the line loss</b>	 <u>(620,092)</u>
 <b>Total taxable income</b>	 <u>\$ 382,574</u>

Gulf Utility Company  
 Above and Below the Line Interest Expense  
 For the Year Ended December 31, 1992  
 (Unaudited)

Average rate base (page 2 of this schedule)	\$ 5,945,400
Less: Customer deposits (Schedule No. 4)	<u>(172,645)</u>
Rate base related to debt and equity	5,772,755
Percent related to debt (Schedule No. 4)	<u>94.05</u>
Rate base related to debt	<u>\$ 5,429,276</u>
Total debt	<u>\$ 10,075,360</u>
Amount of debt in excess of rate base	<u>\$ 4,646,084</u>
Excess percentage	<u>46.11</u>
Total interest expense	957,802
Less: Interest on customer deposits	<u>(13,779)</u>
	944,023
Percent in excess of rate base	<u>46.11</u>
Below the line interest expense	435,289
Above the line interest expense	<u>522,513</u>
Total interest expense	<u>\$ 957,802</u>

Gulf Utility Company  
 Thirteen Month Average Rate Base  
 For the Year Ended December 31, 1992  
 (000)

Rate Base Item	December 1991	January 1992	February 1992	March 1992	April 1992	May 1992	June 1992	July 1992	August 1992	September 1992	October 1992	November 1992	December 1992	13-Month Average
Water Plant	\$ 13,369.3	\$ 13,371.0	\$ 13,371.7	\$ 13,373.2	\$ 13,374.0	\$ 13,383.9	\$ 13,395.4	\$ 13,472.7	\$ 13,474.9	\$ 13,479.4	\$ 13,484.0	\$ 13,484.5	\$ 13,554.0	\$ 13,429.8
Wastewater Plant	8,721.9	8,722.5	8,725.0	8,725.0	8,725.4	10,029.7	10,030.5	10,030.5	9,940.0	9,941.0	9,941.3	9,941.3	9,977.8	9,496.3
General Plant	547.5	549.4	558.2	559.0	559.0	559.7	562.4	564.1	567.5	567.5	567.5	567.9	572.8	561.8
Accumulated Depreciation	(3,444.6)	(3,487.7)	(3,542.4)	(3,604.0)	(3,665.5)	(3,727.8)	(3,794.6)	(3,861.2)	(3,837.5)	(3,904.3)	(3,970.5)	(4,037.0)	(4,103.5)	(3,767.7)
CIAC	(15,603.5)	(15,637.4)	(15,673.3)	(15,703.5)	(15,725.3)	(15,765.8)	(15,840.4)	(15,956.2)	(15,967.0)	(15,992.2)	(16,004.3)	(16,020.3)	(16,301.3)	(15,860.8)
CIAC Amortization	2,326.3	2,366.9	2,407.5	2,448.3	2,489.3	2,530.3	2,571.5	2,612.8	2,652.9	2,694.5	2,736.2	2,777.9	2,826.8	2,572.4
Advances for Construction	(528.1)	(513.1)	(513.1)	(513.1)	(512.4)	(512.4)	(474.2)	(473.4)	(487.7)	(487.7)	(487.7)	(487.7)	(332.4)	(486.4)
<b>Rate Base</b>	<b>\$ 5,388.8</b>	<b>\$ 5,371.6</b>	<b>\$ 5,333.6</b>	<b>\$ 5,284.9</b>	<b>\$ 5,244.5</b>	<b>\$ 6,497.6</b>	<b>\$ 6,450.6</b>	<b>\$ 6,389.3</b>	<b>\$ 6,343.1</b>	<b>\$ 6,298.2</b>	<b>\$ 6,266.8</b>	<b>\$ 6,226.6</b>	<b>\$ 6,194.2</b>	<b>\$ 5,945.</b>

**Gulf Utility Company**  
**Thirteen Month Average Capital Structure**  
**For the Year Ended December 31, 1992**  
**(Unaudited)**

	<u>Balance</u>	<u>Percent Ratio</u>
Common equity (page 2 this schedule)	\$ 636,965	5.95
Debt (1)	<u>10,075,360</u>	<u>94.05</u>
<b>Total</b>	<b><u>\$ 10,712,325</u></b>	<b><u>100.00</u></b>

Note (1): Debt consisted of the following:

Bonds payable	\$ 10,000,000
Note payable (stockholder)	<u>75,360</u>
Customer deposits	<b><u>\$ 10,075,360</u></b>

The debt balances shown above were outstanding for the 13 months ended December 31, 1992.

Gulf Utility Company  
 Thirteen Month Average Common Equity and Customer Deposits  
 For the Year Ended December 31, 1992  
 (000)

Common Equity

Component	December 1991	January 1992	February 1992	March 1992	April 1992	May 1992	June 1992	July 1992	August 1992	September 1992	October 1992	November 1992	December 1992	13-Month Average
Common Stock	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416	\$ 416
Paid In Capital	952,711	952,711	952,711	952,711	952,711	952,711	952,711	952,711	952,711	952,711	952,711	952,711	952,711	952,711
Retained Earnings	(385,156)	(377,636)	(343,852)	(235,032)	(220,482)	(224,745)	(239,635)	(273,240)	(338,502)	(377,636)	(396,261)	(379,294)	(318,427)	(316,162)
<b>Total</b>	<b>\$ 557,971</b>	<b>\$ 575,491</b>	<b>\$ 609,275</b>	<b>\$ 718,095</b>	<b>\$ 732,645</b>	<b>\$ 728,382</b>	<b>\$ 713,492</b>	<b>\$ 679,878</b>	<b>\$ 614,625</b>	<b>\$ 575,289</b>	<b>\$ 556,866</b>	<b>\$ 573,833</b>	<b>\$ 634,700</b>	<b>\$ 636,965</b>

Customer Deposits

Balance	\$ 173,142	\$ 173,847	\$ 175,461	\$ 175,933	\$ 171,708	\$ 172,918	\$ 172,923	\$ 173,423	\$ 173,763	\$ 170,763	\$ 170,503	\$ 169,758	\$ 170,248	\$ 172,645
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**Gulf Utility Company**  
**Above and Below the Line Depreciation Expense**  
**Year Ended December 31, 1992**  
**(unaudited)**

**Tax depreciation is comprised of the following:**

Depreciation on contributed property (1987–1991)	\$ 245,442
Depreciation on 1992 contributed property (first year)	4,886
Depreciation on general plant (invested)	68,954
Depreciation on plant funded by post 1986 capacity charges	227,636
Depreciation on invested plant	<u>233,344</u>

**\$ 780,262**

**Above the line depreciation:**

Depreciation on general plant	\$ 68,954
Depreciation on invested plant	<u>233,344</u>

302,298

**Below the line depreciation:**

Depreciation on contributed property (1987–1991)	245,442
Depreciation on 1992 contributed property	4,886
Depreciation on plant funded by post 1986 capacity charges	<u>227,636</u>

477,964

**Total depreciation expense**

**\$ 780,262**

**Gulf Utility Company**  
**Detailed Statement of CIAC Tax Impact Account**  
**Year Ended December 31, 1992**  
**(Unaudited)**

Balance January 1, 1992 (Note 1)	\$ --
1992 Gross-up collected	321,518
Interest earned	2,347
Federal estimated tax deposits	(20,000)
Service charges	<u>(39)</u>
Balance December 31, 1992	<u>\$ 303,826</u>

Note (1): The company maintains separate escrow accounts for each years gross-up collections.