

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Gross-Up of CIAC
in Polk County by Gold Coast Utility Corp.

Docket No. 2018____ - WS

APPLICATION FOR GROSS-UP OF CIAC

Applicant, GOLD COAST UTILITY CORP. (“GCUC” or “Utility”), by and through its undersigned attorneys files this Application for the gross-up of CIAC in Polk County.

Preliminary Matters

1. The following is the basic information:

(a) (i) The name of the Utility and its mailing address is:

Gold Coast Utility Corp.
2517 Elm Circle
Lake Wales, FL 33898

(ii) The names and address of the persons authorized to receive notices

and communications in respect to this application are:

Martin S. Friedman, Esquire
Friedman & Friedman, P.A.
600 Rinehart Road, Suite 2100
Lake Mary, FL 32746
Telephone: (407) 830-6331
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2. Congress has passed, and the President has signed, the Tax Cuts and Jobs Act (“Act”), effective January 1, 2018, which, among other things, removes the tax exemption for contributions-in-aid-of-construction (“CIAC”). Thus, effective January 1, 2018, utilities will have to begin paying incomes taxes on cash and property CIAC they receive.

3. As a result of this tax law change, GCUC will lose its opportunity to earn a reasonable return on its property used and useful in the public service.

4. As was done in 1986 when CIAC became taxable, GCUC should be authorized to collect from developers and others who transfer property and cash to it as CIAC, which transfers had been excluded from taxable income an amount equal to the tax impact using the following formula which this Commission had previously approved (see Order No. PSC-2018-0331-TRF-WU):

TAX IMPACT = Full Gross Up:

Depreciable Plant:

For utilities using straight-line depreciation for tax purposes, the gross-up formula shall be:

$$((CP - (CP * (1/TL) * .5)) * (CTR/(1-CTR)))$$

For utilities using an accelerated rate of depreciation for tax purposes, the gross-up formula shall be: $(CP - ((CP * AR) * .5)) * (CTR/(1-CTR))$

Land (and Cash): $CL * (CTR/(1-CTR))$

Where:

CP = Contributed Plant

TL = Tax Life of Contributed Plant

AR = First Year Accelerated Depreciation Rate for Tax Purposes

CTR = Combined Federal (FT) and State (ST) Income Tax Rate. $ST+FT (1-ST)$

CL = Contributed land (and Contributed Cash)

5. The tariff sheets necessary to incorporate the gross-up of CIAC into the tariff are attached hereto as Exhibit "A".

WHEREFORE, GCUC requests that the Florida Public Service Commission do the following:

1. Accept jurisdiction of this Application and authorize the gross-up of CIAC consistent with the Tariffs attached hereto as Exhibit "A".

2. Provide such other and further relief as is fair, just and equitable.

Respectfully submitted this 31st day of
August, 2018, by:

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/s/ Martin S. Friedman

MARTIN S. FRIEDMAN
For the Firm

EXHIBIT “A”

Revised Tariffs

Income Taxes Related to Cash and Property Contributions-in-Aid-of-Construction

The utility may gross-up cash service availability charges and property contributions-in-aid-of-construction in order to recover the federal and state corporate income taxes associated with these contributions. The formula to be used to gross-up cash service availability charges and contributed property are as follows:

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Depreciable Plant:

For utilities using straight-line depreciation for tax purposes, the gross-up formula shall be:

$$((CP - (CP * (1/TL) * .5)) * (CTR / (1 - CTR)))$$

For utilities using an accelerated rate of depreciation for tax purposes, the gross-up formula shall

be: $(CP - ((CP * AR) * .5)) * (CTR / (1 - CTR))$

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KEITH BURGE
ISSUING OFFICER

DIRECTOR OF UTILITY OPERATIONS
TITLE

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