

REQUEST TO ESTABLISH DOCKET
(PLEASE TYPE)

Date 02/17/97

Docket No. 970304-WS

1. Division Name/Staff Name Water and Wastewater/Gilchrist
2. OPR WAW
3. OCR LEG, AFAD
4. Suggested Docket Title Disposition of CIAC Gross-up funds collected by Rolling Oaks Utilities, Inc. in Citrus county.

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

- A. Provide NAMES ONLY for regulated companies or ACRONYMS ONLY regulated industries, as shown in Rule 25-22.104, F.A.C.
- B. Provide COMPLETE name and address for all others. (Match representatives to clients.)

1. Parties and their representatives (if any)

Mr. F. Marshall Deterding, Attorney _____
Rose, Sundstrom & Bentley _____
P.O. Box 1567 _____
Tallahassee, FL 32302-1567 _____

2. Interested Persons and their representatives (if any)

6. Check one:

Documentation is attached.

Documentation will be provided with recommendation.

ACCOUNTANTS' REPORT

Officers and Directors
Rolling Oaks Utilities, Inc.
Beverly Hills, Florida

At your request, we have prepared the accompanying Special Report of Rolling Oaks Utilities, Inc. consisting of schedules one through three. 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 June 30, 1996, 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.

Williams, McCranie & Sutton, P.A.

Williams, McCranie & Sutton, P.A.

Crystal River, Florida
November 1, 1996

ROLLING OAKS UTILITIES INC.
 SCHEDULE OF TAX ON CIAC AND PROPOSED REFUND
 FOR THE TAX YEAR ENDED JUNE 30, 1996
 (UNAUDITED)

LINE NO.		
1	Form 1120, Line 30 (including CIAC & gross-up)	
2	-above the line taxable income	\$ 246,675
3	Less CIAC	(50,537)
4	Less gross-up collected	(29,552)
5	Add first year's depreciation on CIAC	950
6	Add (less) other effects-interest on gross-up	<u>(124)</u>
7	Adjusted income before CIAC and gross-up	167,412
8	Taxable CIAC	50,537
9	Taxable CIAC resulting in a tax liability	50,537
10	Less first year's depreciation	<u>(950)</u>
11	Net taxable CIAC	49,587
12	Effective state and federal tax rate	x <u>37.63%</u>
13	Net income tax on CIAC	18,660
14	Less ITC realized	<u>0</u>
15	Net income tax	18,660
16	Expansion factor for gross-up taxes	x <u>1.603334936</u>
17	Gross-up required to pay tax effect	29,918
18	Less CIAC Gross-up collected	<u>(29,552)</u>
19	Proposed refund (excluding interest)	\$ <u>-0-</u>

READ THE ACCOUNTANTS' REPORT.

SCHEDULE NO. 1

ROLLING OAKS UTILITIES, INC.
 SCHEDULE OF ABOVE AND BELOW THE LINE TAXABLE INCOME (LINE 30)
 FOR THE TAX YEAR ENDED JUNE 30, 1996
 (UNAUDITED)

LINE NO.		
1	<u>Above the line taxable income</u>	
2	Gross receipts/sales (Line 1c)	\$ 1,806,161
3	Deductions:	
4	Interest (Line 18)	167,472
5	Depreciation (Schedule 3) (Line 21b)	171,521
6	Operations	160,869
7	Other deductions (Line 26)	<u>1,139,837</u>
8	Total deductions	<u>1,639,699</u>
9	Taxable income before CIAC	<u>166,462</u>
10	CIAC:	
11	Taxable CIAC (Line 1c)	50,537
12	Gross-up (Line 1c)	29,552
13	Interest on gross-up (Line 5)	<u>124</u>
14	Total CIAC	<u>80,213</u>
15	Above the line taxable income	<u>246,675</u>
16	<u>Below the line taxable income</u>	
17	Gross receipts/sales (Line 1c)	1,290,765
18	Interest (Line 5)	86,457
19	Other income (loss) (Line 4 and 9)	43,325
20	Total below the line income	<u>1,420,547</u>
21	Deductions:	
22	Interest (Line 18)	252,988
23	Depreciation (Line 21b)	127,997
24	Non-utility operations	434,129
25	Non-utility other deductions (Line 26)	<u>508,098</u>
26	Total deductions	<u>1,323,212</u>
27	Below the line taxable income	<u>97,335</u>
28	Taxable income before net operating loss (Line 28)	344,010
29	Net operating loss (Line 29a)	-0-
30	Taxable income (Line 30)	<u>\$ 344,010</u>

31 Note 1 - Rolling Oaks Utilities, Inc. is part of the consolidated
 32 group of companies of Anchor Properties, Inc. for Federal and
 33 State income tax purposes. Consequently, the taxable income
 34 impact is presented on a consolidated basis. Above the line
 35 taxable income represents the activity of Rolling Oaks Utilities,
 36 Inc. adjusted for below the line interest expense, depreciation
 37 and disallowed expenses. All line references are to Form 1120,
 38 page 1, and supporting consolidation schedules attached to this
 39 report.

READ THE ACCOUNTANTS' REPORT.

SCHEDULE NO. 2

ROLLING OAKS UTILITIES, INC.
 SCHEDULE OF ABOVE AND BELOW THE LINE DEPRECIATION EXPENSE
 FOR THE TAX YEAR ENDED JUNE 30, 1996
 (UNAUDITED)

<u>LINE NO.</u>		
1	I	<u>Components of depreciation:</u>
2		Plant depreciation \$170,571
3		Depreciation on current year CIAC collections 950
4		Depreciation on prior year CIAC collections 109,541
5		Nonused and useful depreciation 7,519
6		Non-utility company depreciation <u>10,937</u>
7		Total depreciation (Line 21b) <u>\$299,518</u>
8	II	<u>Above and below the line depreciation:</u>
9		Above the line:
10		Plant depreciation \$170,571
11		Depreciation on current CIAC collections <u>950</u>
12		Total above the line depreciation <u>171,521</u>
13		Below the line:
14		Depreciation on prior years CIAC collections 109,541
15		Nonused and useful depreciation 7,519
16		Non-utility company depreciation <u>10,937</u>
17		Total below the line depreciation <u>127,997</u>
18		Total depreciation expense (line 21b) <u>\$299,518</u>

19 Note 1 - Depreciation on prior years CIAC collections has been
 20 classified below the line, since the tax benefits of such depre-
 21 ciation will be returned to the rate payers through the
 22 normalization process. Below the line classification is
 23 necessary for the contributor to receive the benefit of first
 24 year's depreciation only, in the refund calculation shown on
 25 Schedule No. 1.

READ THE ACCOUNTANTS' REPORT.

SCHEDULE NO. 3

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(904) 877-8555

CHRIS H. BENTLEY, PA.
JENNIFER S. BRUBAKER
F. MARSHALL DETERDING
BRIAN L. DOSTER
MARTIN S. FRIEDMAN, PA.
JOHN R. JENKINS, PA.
STEVEN T. MINOLIN, PA.
ROBERT M. C. ROSE
DAREN L. SHIPPY
WILLIAM E. SUNDBSTROM, PA.
DIANE D. TREMOR, PA.
JOHN L. WHARTON

MAILING ADDRESS
POST OFFICE BOX 1587
TALLAHASSEE, FLORIDA 32302-1587
TELECOPIER (904) 858-4329

December 3, 1996

VIA HAND DELIVERY

Mr. Charles H. Hill, Director
Division of Water and Wastewater
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32301

RECEIVED

DEC 03 1996

Florida Public Service Commission
Division of Water and Wastewater

Re: Rolling Oaks Utilities, Inc.
Proposed Disposition of Gross-up Funds
Our File No. 16622.13

Dear Mr. Hill:

Attached are six copies of a set of schedules showing our calculation of the appropriate disposition of gross-up funds collected for the tax year ended June 30, 1996. You will note that the calculated tax on CIAC exceeds the actual gross-up collected and therefore no refund is due.

In accordance with the correspondence received from your office on confidential treatment of tax returns, I am submitting one copy of the tax return directly to the Clerk.

I believe after review of the calculations made by the Utility, you will agree that the disposition proposed by them is appropriate.

Should you have any questions in this regard, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY


F. Marshall Deterding

FMD/lts

Enclosures

cc: Ms. Blanca S. Bayo
Mr. Dale Miller
Mr. Don Phillips
John H. Williams, Jr., CPA

RECEIVED

DEC 03 1996

Florida Public Service Commission
Division of Water and Wastewater

LAW OFFICES
ROSE, SUNDBSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(904) 877-8555

CHRIS H. BENTLEY, P.A.
JENNIFER S. BRUBAKER
F. MARSHALL DETERDING
BRIAN L. DOSTER
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
ROBERT M. C. ROSE
DAREN L. SHIPPY
WILLIAM E. SUNDBSTROM, P.A.
DAVE D. TREMOR, P.A.
JOHN L. WHARTON

MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567
TELECOPIER (904) 856-4029

February 14, 1997

VIA HAND DELIVERY

RECEIVED

FEB 14 1997

Florida Public Service Commission
Division of Water and Wastewater

Ms. Jackie Gilchrist
Division of Water and Wastewater
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Rolling Oaks Utilities, Inc.
CIAC Gross-up for the Year Ended June 30, 1996
Our File No. 16622.13

Dear Jackie:

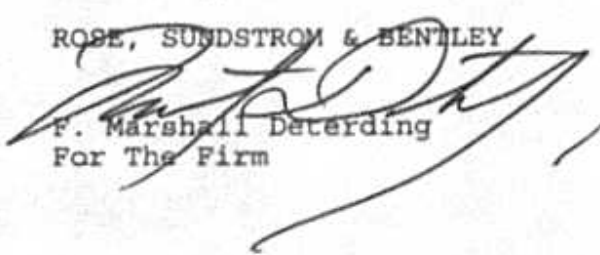
After our discussion a few days ago concerning the used and useful calculations utilized in the gross-up report for the year ended June 30, 1996, I reviewed my files and thought I had found where I had previously sent you that information. Upon further review, I determined that in fact the information that I had previously sent you was related to 1995.

I have now found in my files, the information concerning the used and useful calculations which was prepared by Mr. John Williams, C.P.A., and provided to me along with the original gross-up information. The same format is utilized in these calculations as was utilized in previous years which have already been approved by the Commission.

Should you have any questions concerning this information, please let me know.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY


F. Marshall Deterding
For The Firm

FMD/lts
Enclosure

cc: Mr. Dale Miller
Mr. Don Phillips
Mr. Ron Collins
John Williams, CPA

November 7, 1996

Mr. P. Marshall Deterding
Rose, Sundstrom & Bentley
P.O. Box 1567
Tallahassee, FL 32302-1567

RE: Rolling Oaks Utilities, Inc.
CIAC Reports for year ended
June 30, 1996

Dear Mr. Deterding:

For the past several years, the PSC has requested the following calculations for the nonused and useful depreciation and interest expense in addition to the CIAC Tax Report. Please find attached the requested information for the year June 30, 1996:

*Not a preferred
methodology, but
reasonable, and,
therefore acceptable.*

Interest expense:

Total interest for year per consolidated income tax return (see attached consolidation summary for the year)	\$420,460 ✓
Less:	
Non-utility companies interest:	
Beverly Hills Development Corp.	(31,984)
Net interest expense attributable to utility company	388,476
Less: customer deposit interest refunded	---
Total utility interest	<u>\$388,476</u> ✓

Computation of above the line interest expense:

Rate base interest (1996) \$388,476 x 45% (A) ✓	\$174,814 ✓
Less: Nonused and useful interest (1996) \$174,814 x 4.2% (B) ✓	<u>(7,342)</u> ✓
Total above the line interest	167,472 ✓
Below the line interest	<u>252,988</u> ✓
Total as above	<u>\$420,460</u> ✓

1996 - Refund 195

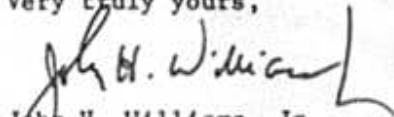
Mr. F. Marshall Deterding
November 7, 1996
Page 2

- (A) Rate base interest rate computed by using rate base from the 12/31/96 PSC Report, Page F-4, of \$1,941,538 + \$4,362,966 (total debt of utility company) = 45%.
- (B) Per worksheet attached for year end 6/30/96.

	<u>1996</u>
Depreciation expense:	
Total depreciation for year per consolidated income tax return	\$299,518
Less:	
Nonutility companies depreciation	
Beverly Hills Development Corp.	(2,408)
Beverly Hills Waste Mgmt. Corp.	(8,529)
Depreciation expense of utility	<u>288,581</u>
Less: above the line depreciation per CIAC Report	(171,521)
Depreciation on prior years CIAC collections	<u>(109,541)</u>
Nonused and useful depreciation	<u>\$ 7,519</u>
Computation of nonused and useful depreciation:	
(1996) \$288,581 x 4.2% (B) = ✓	\$ 12,120 ✓
Less nonused and useful portion of depreciation on prior years CIAC collections	
(1996) \$109,541 x 4.2% (B) = ✓	<u>(4,601) ✓</u>
Nonused and useful depreciation	<u>\$ 7,519</u>
(B) Per worksheet attached for year end 6/30/96.	

If the PSC requires additional information on these computations, please contact me.

Very truly yours,


John H. Williams, Jr.
Certified Public Accountant

JHW/dh

Enclosures

cc: Dale Miller
Rolling Oaks Corporation

OK to use
year-end
although
tax year
is based
on fiscal
year.

	ANCHOR PROPERTIES, INC	BEVERLY HILLS DEV CORP	BEVERLY HILLS HOMES INC	ROLLING OAKS UTILITIES INC	BEVERLY HILLS WASTE MGT CORP	BEVERLY HILLS MGT CORP	ELIMINATIONS	CONSOLIDATED TOTALS
GROSS INCOME								
Gross receipts	\$ -0-	\$871,953	\$-0-	\$1,886,250	\$445,212	\$-0-	\$ (26,400)	\$3,177,015
Cost of goods sold	-0-	<u>36,802</u>	-0-	-0-	-0-	-0-	-0-	<u>36,802</u>
Gross profit	-0-	835,151	-0-	1,886,250	445,212	-0-	(26,400)	3,140,213
Dividends	-0-	-0-	-0-	-0-	39,774	-0-	-0-	39,774
Interest	-0-	55,672	-0-	58,513	402,404	-0-	(430,008)	86,581
Gross rents	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Gross royalties	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Capital gain	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Gain (loss) from Form 4797	-0-	100	-0-	2,850	601	-0-	-0-	3,551
TOTAL INCOME	-0-	<u>890,923</u>	-0-	<u>1,947,613</u>	<u>887,991</u>	-0-	<u>(456,408)</u>	<u>3,270,119</u>
DEDUCTIONS								
Comp of officers	-0-	288,000	-0-	72,000	-0-	-0-	-0-	360,000
Salaries	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Repairs	-0-	2,828	-0-	14,800	-0-	-0-	-0-	17,628
Bad debts	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Rents	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Losses	255	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Interest	-0-	52,255	-0-	128,013	45	-0-	-0-	180,518
Contributions	-0-	31,984	-0-	419,557	398,927	-0-	(430,008)	420,460
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Depletion	-0-	2,408	-0-	288,581	8,529	-0-	-0-	299,518
Advertising	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Pension	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Employee benefits	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other deductions	-0-	125,577	-0-	1,139,837	408,921	-0-	(26,400)	1,647,935
TOTAL DEDUCTIONS	<u>255</u>	<u>503,052</u>	<u>-0-</u>	<u>2,062,788</u>	<u>816,422</u>	<u>-0-</u>	<u>(456,408)</u>	<u>2,926,109</u>
Taxable income	<u>\$ (255)</u>	<u>\$387,871</u>	<u>\$-0-</u>	<u>\$ (115,175)</u>	<u>\$ 71,569</u>	<u>\$-0-</u>	<u>\$ -0-</u>	<u>\$ 344,010</u>

POU, Inc.
 Non-potable useful plant
 6/30/96

Prepared By	Initials	Date
Approved By		11/5/95

© WILSON JONES COMPANY 07508 Columbia River WA MADE IN U.S.A.

		Non-potable & useful %			Provided
		Water	Sewer	Average	
1					
2	Non-potable & useful PLANT %				
3	Per attached				
4	scheduled	15 %	2 %	8.5 %	9 %
5					
6	Limited, per labor				① 4.2 %
7					
8					
9					
10					
11	Rate Base :				
12	Per PSC Report (pg F-4)	12/31/94	337223	1740762	2077985
13					
14	↓	12/31/95	331024 ✓	1610514 ✓	1941538 ✓
15					
16					
17					
18					
19					
20					
21	① Used weighted average of water & sewer as follows: (consistent with prior year)				
22					
23					
24	Water (331,024 ÷ 1941,538 =)	17	X	15% =	2.55
25					
26	Sewer (1610,514 ÷ 1941,538 =)	83	X	2% =	1.66
27					4.21
28					
29					
30	Non-potable & useful percentage		Rounded		4.2% ✓
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

1995

WATER

1	Peak pumping day for year		<u>5,330,000</u>
2	Add Fire Flow <small>(county fireflow ordinance or state insurance services office standard fire flow which is 1,500 GPM for 4 hours = 360,000 gallons)</small>		<u>360,000</u>
3	Add lines 1 and 2		<u>5,690,000</u>
4	Divide total of 1 and 2 by total pumping capacity <small>(6,700,000, incl Well . 10)</small>		<u>85%</u>
5			<u>100%</u>
6	Line 5 less Line 4		<u>15%</u>
7A	Asset Acct 307	422,929	
	Asset Acct 330	388,158	810,085
			895,693
7B	Accum Dep 307	(141,745)	
	Accum Dep 330	(123,622)	(265,367)
8	Line 7A less 7B		<u>630,327</u>
9	Line 6 multiplies by Line 8		<u>94,549</u>

FILL IN PERCENTAGE ON BOTTOM OF F-4

Peak Pump day

5330

5-10-95

476

1995

1995

WASTEWATER

1	Average daily flow for peak treatment month (1-95)		<u>476,000</u>
2	Add 18 month reserve		
2a	Wastewater customers current year end	<u>4195</u>	
	Wastewater customers 5 yrs ago	<u>3853</u>	
	Difference	<u>342</u>	
2b	Difference divided by 5 (Avg increase in new customers)	<u>68.4</u>	
2c	Line 2b multiplied by 117.5 gallons	<u>8037</u>	
2d	Line 2c multiplied by 1.5		<u>12,056</u>
3	Add lines 1 and 2		<u>488,056</u>
4	Divide Line 3 by plant capacity (500,000)		<u>0.98</u> 97.61
5			<u>100.00</u>
6	Line 5 less Line 4		<u>0.02</u> 2.39
7	Asset Acct 380	<u>1,273,038</u> ^	
	Accum Dep 380	<u>(465,600)</u> ^	
		<u>807,438</u> ^	<u>807,438</u> ^
8	Line 7 multiplied by line 6		<u>16,149</u> ^

FILL IN PERCENTAGE ON BOTTOM OF PAGE F-4

1995