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FILE COPY

Public Service Commission

May 14, 1997

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

960394-WS

Re: North Fort Myers Utility, Inc. (NFMU)

Dear Mr. Deterding:

Pursuant to Order No. PSC-96-0686-FOF-WS, all pending CIAC gross-up refund cases are being processed pursuant to Order Nos. 16971 and 23541. The preliminary refund calculation sent to you on December 10, 1996, has been updated to include the revisions stated in Mr. Nixon's response dated January 9, 1997. Staff's revised preliminary refund calculation for 1994 for the fiscal year ended May 31, 1995 is being submitted accordingly. However, it should be noted that the information being requested below has not been included in staff's preliminary calculation. We believe the information requested below will impact our preliminary calculation, therefore, it is likely that the refund calculation for 1994 will be revised and resubmitted accordingly.

ACK _____ According to the schedule attached to Mr. Nixon's letter dated April 7, 1997,
AFA _____ Carriage Village had 434 residential customers. Three hundred thirty four (334) of those
APP _____ customers paid in full, for a total of \$120,652 of CIAC being collected and \$92,852 of gross-
CAF _____ up-collected from those customers who paid in full. Of the remaining 100 who paid in
CMU _____ installments, how much CIAC and gross-up was collected from those customers as of May
CTR _____ 31, 1995. Also, as of February 23, 1994, the schedule shows that 425 residential and 1
EAC _____ commercial customer of Lake Arrowhead/LE paid in installment, how much CIAC and
LEG _____ gross-up was collected from those customers as of May 31, 1995. Further, as of July 15,
LIV _____ 1992, the schedule shows that 80 residential customers of Forest Park paid in installment,
OF _____ how much CIAC and gross-up was collected from those customers as of May 31, 1995.

OF _____ According to the schedule, Tamiami Village had 717 residential customers and 20
R _____ commercial customers. Four hundred fifty nine (459) residential and twenty (20)
SP _____ commercial customers paid in full, for a total of \$212,058 and \$44,764 of CIAC being
WAC _____ collected and \$127,602 and \$26,939 of gross-up collected from those customers who paid in
OTH _____ full. Of the remaining 258 who paid in installment, how much CIAC and gross-up was
collected from those customers as of May 31, 1996? Also, how much CIAC and gross-up

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was collected as of May 31, 1996 from the installment contracts entered into in 1992 from Forest Park? How much CIAC and gross-up was collected as of May 31, 1996 from the installment contracts entered into in 1994 from Lake Arrowhead? How much CIAC and gross-up was collected as of May 31, 1996 from the installment contracts entered into in 1994 from Carriage Village?

According to the schedule, Lazy Days had 420 customers. Two hundred eighty nine (289) customers paid in full, for a total of \$133,518 of CIAC being collected and \$80,342 of gross-up collected from those customers who paid in full. Of the remaining 131 who paid in installment, how much CIAC and gross-up was collected from those customers as of May 31, 1996?

According to the information provided by NFMU, the utility collected CIAC of \$590,150 and gross-up of \$338,017 in 1994/95 and it collected CIAC of \$1,068,861 and gross-up of \$402,730 in 1995/96. It appears that the utility may have customers other than those shown on the schedule attached to Mr. Nixon's letter of April 7, 1997. Therefore, for those customers not represented on the schedule, for 1994/95, and for 1995/96, please provide: (1) the number of customers and the amount of CIAC paid (2) the number of customers and the amount of gross-up paid.

In its letter of February 28, 1997, it is stated that the installment contracts were not booked as income in the year entered into, but instead have been treated for the most part as income in the year in which the payments themselves were received. Staff believes that CIAC is income in the year received and "Receipt" occurs when the entity knows it has a legal right to the money and the amount of money is known. The amount to which NFMU is entitled to is established by tariff and by the installment contract agreements it made with the customers of NFMU. CIAC is a "condition precedent" to the receipt of service, which means CIAC must be paid before a customer will be served. The payment may be a lump sum or by installments. Staff believes NFMU must have been certain that it had a right to the CIAC or it would not have provided service to those who are paying by installment. Based on the reasoning above, staff plans to treat the installment contracts as "income" in the year the contracts were entered into. Therefore, the disposition of CIAC Gross-up for NFMU will be processed in the same manner as Hudson Utility (Docket No. 961270-SU).

Based on our preliminary analysis, it appears the utility will be required to make refunds for 1994 for the fiscal year ended May 31, 1995. Also, it is possible that the installment payments may be lower than what they are currently. In order to avoid having to modify its installment contracts, staff would like to know if NFMU would be interested in making the refunds up front to all its customers (the ones who paid in full and the ones who are paying on installment) whereby, NFMU could continue collecting from the customers the amount currently specified in the installment contract.

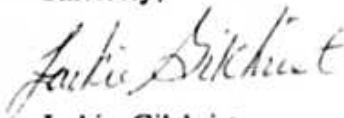
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Mr. Nixon's letter of January 9, 1997, states that NFMU believes that the legal and accounting expenses incurred to file and process the 1995 (although I think he meant 1994) gross-up refund report should offset the revised excess gross-up collections of \$7,771. The total expense for legal and accounting fees total \$9,351. Of this amount, staff believes that \$8,952.14 of these expenses are prudent and should be offset against the 1994, not 1995 refund amount.

Finally, we have reviewed the special reports of NFMU, consisting of Schedule Nos. 1 through 6. A copy of staff's preliminary analysis of the refund calculation for 1995 for the fiscal year ended May 31, 1996, is being submitted also. Based upon our preliminary analysis, we agree with the utility that no refunds are required for 1995 for the fiscal year ended May 31, 1996. However, we believe the information requested above will impact our preliminary calculation, therefore, it is likely that the refund calculation for 1995 will be revised and resubmitted accordingly.

The information requested above should be filed by June 13, 1997. If you should have any questions, please do not hesitate to call.

Sincerely,



Jackie Gilchrist
Regulatory Analyst

enclosure

cc: Division of Legal Services (O'Sullivan)
Division of AFAD (Causseaux)
Office of Public Counsel (Riley)
Mr. Robert Nixon