

DOCKET NO. 971658-SU

REQUEST TO ESTABLISH DOCKET

Date 12/23/97

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

Cronin, Jackson, Nixon & Wilson

2560 Gulf-To-Bay Boulevard Suite 200

Clearwater, Florida 33765-4419

F. Marshall Deterding

Ross, Sundstrom & Bentley, LLP

P.O. Box 1567

Tallahassee, Florida 32302-1567

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.)

put on list as interested person
11/10

REGULATED INDUSTRIES

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

6. Check One:

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

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES I. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ERIC M. DOAN, C.P.A.
ROBERT H. JACKSON, C.P.A.
BRENDA M. MCBARRON, C.P.A.
ROBERT C. NIXON, C.P.A.
TRACY A. RIZZO, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF TO BAY BOULEVARD
SUITE 200
CLEARWATER FLORIDA 34625-3109
(813) 791-4020
FACSIMILE
(813) 797-3602

August 15, 1997

Officers and Directors
Forest Utilities, Inc.

As requested, we have prepared the accompanying Special Report of Forest Utilities, Inc., consisting of Schedules No. 1 through No. 4 and Attachment I. 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, 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.

Cronin, Jackson, Nixon & Wilson

CRONIN, JACKSON, NIXON & WILSON

Forest Utilities, Inc.
Schedule of Tax on CIAC and Proposed Gross-up Refund
For the Taxable Year Ended December 31, 1996

Line
No.

1	Taxable CIAC (1)	\$ 31,133
2	Less: First year depreciation on CIAC assets	(1,428)
3	CIAC not grossed-up	<u>(21,718)</u>
4	Net taxable CIAC	7,987
5	Effective federal and state tax rate	<u>37.63%</u>
6	Tax on CIAC	3,006
7	Expansion factor for gross-up taxes	<u>1.6033</u>
8	Gross-up required to pay tax effect	4,820
9	Less: Gross-up collected (Schedule No. 2) (1)	<u>(5,083)</u>
10	Gross-up (over) under collected	(263)
11	Less: 50% of actual and estimated legal and	
12	accounting expense to prepare and process	
13	this report through PAA Agenda Conference	
14	(Attachment I)	<u>2,325</u>
15	Net (refund) deficiency	<u>\$ 2,062</u>
16	Note (1): Taxable CIAC and gross-up collected through June 12, 1996,	
17	the effective date of repeal of the tax on CIAC.	

Forest Utilities, Inc.
 Schedule of Above and Below the Line Taxable Income (Loss)
 For the Taxable Year Ended December 31, 1996

Line
 No.

1	<u>Above the line taxable income (loss)</u>	
2	Gross receipts/sales (Line 1c)	\$ 559,096
3	Deductions:	
4	Compensation of officers (Line 12)	60,000
5	Salaries and wages (Line 13)	94,481
6	Bad debts (Line 15)	754
7	Taxes and licenses (Line 17)	58,039
8	Interest (Line 18) (Schedule No. 3)	29,218
9	Depreciation (Line 21b) (Schedule No. 3)	33,006
10	Employee benefits programs (Line 25)	22,175
11	Other deductions, excluding non-utility (Line 26)	<u>223,792</u>
12	Total deductions	<u>521,465</u>
13	Taxable income before CIAC	<u>37,631</u>
14	CIAC:	
15	Taxable CIAC (Line 10)	31,133
16	CIAC gross-up (Line 10)	<u>5,083</u>
17		
18	Total CIAC	<u>36,216</u>
19	Above the line taxable income	<u>73,847</u>
20	<u>Below the line taxable loss</u>	
21	Income:	
22	Dividends (Line 4)	6,024
23	Interest (Line 5)	5,567
24	Capital gain - sale of securities (Line 8)	4,539
25	Non-utility income (Line 10)	<u>9,660</u>
26	Total other income	<u>25,790</u>
27	Deductions:	
28	Interest (Line 18) (Schedule No. 3)	2,982
29	Depreciation (Line 21b) (Schedule No. 3)	23,943
30	Other deductions - non-utility (Line 26)	2,283
31	Net operating loss carryforward (Line 29c)	<u>45,619</u>
32	Total other deductions	<u>74,827</u>
33	Below the line taxable loss	<u>(49,037)</u>
34	Total taxable income (Line 30)	<u>\$ 24,810</u>
35	Note: All line references refer to page 1 of the Federal Tax Return	
36	attached to this report.	

Forest Utilities, Inc.
Schedule of Above and Below the Line
Interest, Depreciation, and Taxes
For the Taxable Year Ended December 31, 1996

Line
No.

1	<u>Above and below the line interest expense</u>	
2	Total debt	<u>\$ 384,141</u>
3	Total rate base (Schedule No. 4)	<u>\$ 347,018</u>
4	Total debt in excess of rate base	<u>\$ 37,123</u>
5	Percentage of debt in excess of rate base	<u>9.66%</u>
6	Total interest expense for long-term debt	\$ 30,867
7	Percentage of debt in excess of rate base	<u>9.66</u>
8	Total below the line interest expense	2,982
9	Total above the line interest expense	<u>29,218</u>
10	Total interest expense	<u>\$ 32,200</u>
11	<u>Depreciation expense</u>	
12	A. <u>Components of depreciation expense</u>	
13	Plant depreciation	\$ 90,987
14	Amortization of pre-1987 & post 6/12/96 CIAC	(54,697)
15	Depreciation of post-1986 CIAC and	
16	pre-1996 CIAC assets	19,231
17	Depreciation of current year CIAC assets	
18	prior to 6/13/96	<u>1,428</u>
19	Total depreciation	<u>\$ 56,949</u>
20	B. <u>Above and below the line depreciation</u>	
21	Above the line:	
22	Net plant depreciation (\$90,987 - \$54,697)	\$ 36,290
23	Used and useful percent (Schedule No. 4)	<u>90.95%</u>
24	Used and useful depreciation	<u>33,006</u>
25	Below the line:	
26	Net non-used and useful plant depreciation	
27	(\$36,290 - \$33,006)	3,284
28	Depreciation on post-1986 and pre 6/12/96	
29	CIAC assets (1)	<u>20,659</u>
30	Total below the line depreciation	<u>23,943</u>
31	Total depreciation expense	<u>\$ 56,949</u>
32	Note (1): Below the line classification is necessary for the	
33	contributor to receive the benefit of the first year's depreciation	
34	only in the refund calculation shown on Schedule No. 1.	

Forest Utilities, Inc.
Schedule of Rate Base and Used and Useful Plant
For the Taxable Year Ended December 31, 1996

Line
No.

1	<u>Rate Base</u>	
2	Utility plant in service	\$ 2,953,599
3	Land 26,690	
4	Accumulated depreciation	(1,034,122)
5	CIAC (net of prepaid CIAC of \$149,375)	(2,318,696)
6	Accumulated amortization of CIAC	893,198
7	Non-used and useful plant	<u>(173,651)</u>
8	Rate base	<u>\$ 347,018</u>
9	<u>Calculation of non-used and useful plant</u>	
10	Plant capacity (gpd)	<u>500,000</u>
11	Monthly peak flow (gpd): March, 1996	<u>10,927,000</u>
12	Average daily flow - peak month (gpd)	<u>352,484</u>
13	Percentage used and useful	70.50%
14	Percentage non-used and useful	<u>29.50</u>
15	Total	<u>100.00%</u>
16	Treatment and disposal plant	\$ 962,410
17	Less: Accumulated depreciation	<u>(373,761)</u>
18	Net book value	588,649
19	Percentage non-used and useful	<u>29.50%</u>
20	Total non-used and useful plant	<u>\$ 173,651</u>
21	Composite used and useful plant:	
22	Plant in service	\$ 2,953,599
23	Accumulated depreciation	<u>(1,034,122)</u>
24	Net plant	<u>\$ 1,919,477</u>
25	Net non-used and useful plant	<u>\$ 173,651</u>
26	Composite non-used and useful plant	9.05%
27	Composite used and useful plant	<u>90.95</u>
28	Total	<u>100.00%</u>

Forest Utilities, Inc.
Actual and Estimated Legal & Accounting Expense to
Prepare & Process 1996 Gross-up Refund Report

Line No.		Fees	Out-of-Pocket	Total
1	Accounting			
2	<u>Cronin, Jackson, Nixon & Wilson</u>			
3	Unbilled expense - July, 1997	\$ 325		\$ 325
4	Unbilled expense - August, 1997:			
5	Review & finalize report; transmit to			
6	client & attorney			
7	R. Nixon - 6 hrs. @ \$150	900		900
8	Clerical - 2 hrs. @ \$25	50		50
9	Copies, Federal Express, phone		\$ 100	100
10	Total actual accounting expense	<u>1,275</u>	<u>100</u>	<u>1,375</u>
11	Estimate to complete:			
12	Conferences with Staff & attorney; review			
13	Staff computation & response; review			
14	Staff Recommendation; review PAA Order			
15	R. Nixon - 8 hrs. @ \$150	1,200		1,200
16	Clerical - 3 hrs. @ \$25	75		75
17	Out-of-pocket		100	100
18	Total estimated accounting expense	<u>1,275</u>	<u>100</u>	<u>1,375</u>
19	Total actual & estimated accounting expense	<u>2,550</u>	<u>200</u>	<u>2,750</u>
20	Legal			
21	<u>Rose, Sundstrom & Bentley</u>			
22	Estimated expense:			
23	Review schedules; file with PSC; conferences			
24	with Staff, client & Nixon; review Staff			
25	Recommendation; attend Agenda Conference;			
26	review PAA Order			
27	F. Marshall Deterding, Esq. - 12 hrs. @ \$150	1,800		1,800
28	Estimated out-of-pocket		100	100
29	Total estimated legal expense	<u>1,800</u>	<u>100</u>	<u>1,900</u>
30	Total actual & estimated expense	<u>\$ 4,350</u>	<u>\$ 300</u>	<u>\$ 4,650</u>

Current Work In Process Report
 283 FOREST UTILITIES, INC.
 Period Ending: 7/31/97

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RT C. NIXON 30

Client Page 1

Work Performed	Emp	Ref	Date	Rate	Hours	Amount	Totals
In Process-Balance Forward							125.00
TYPING (MISC)							
ANGELA FERREIRE	125	11117	7/10/97	25.00	1.00	25.00	
		11139	7/31/97	25.00	1.00	25.00	
					2.00	<i>Give up</i>	50.00
INDEX-PASS THROUGH ADJ. (UTIL)							
ROBERT C. NIXON	30	11083	7/10/97	150.00	4.00	600.00	600.00
GROSS-UP REFUND REPORT (UTIL)							
PAUL E. DeCHARIO	155	10542	7/31/97	75.00	4.00	300.00	300.00
XEROX (EXP.)							
ROBERT C. NIXON	30	10412	7/31/97			19.00	19.00
							----- 1,034.00 =====
g Work In Process Balance							

Total Current Period			Work In Process Aging (\$)			
Time	Charges		Cur. Per.	Last Per.	Two Ago	Over Two
10.00 hours	\$969.00		969.00	125.00	0.00	0.00
Year-To-Date W-I-P Activity (\$)			Accounts Receivable (\$)			
Work Charged	Adjust.	Billings	Beg. Bal.	Billings	Payments	End. Bal.
5,615.54	400.00	4,925.83	573.22	0.00	573.22	0.00