

DOCKET NO. 96212-115

REQUEST TO ESTABLISH DOCKET

Date 10/21/96

- 1. Division Name/Staff Name Water and Wastewater/Cheryl Johnson
- 2. OPR Cheryl Johnson
- 3. OCR \_\_\_\_\_
- 4. Suggested Docket Title Disposition of Contribution-Aid-Of-Construction Gross-up Funds Collected By Sunray Utilities-Nassau, Inc.

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.)

Sunray Utilities - Nassau Inc. \_\_\_\_\_

501 Centre Street \_\_\_\_\_

P.O. Box 1708 \_\_\_\_\_

Fernandina Beach, Florida 32034 \_\_\_\_\_

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.)

Kelli L. Adkins \_\_\_\_\_

Sunray Utilities - Nassau Inc. \_\_\_\_\_

501 Centre Street \_\_\_\_\_

P.O. Box 1708 \_\_\_\_\_

Fernandina Beach, Florida 32034 \_\_\_\_\_

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. \_\_\_\_\_

DOCUMENT NUMBER-DATE

**10784 OCT-88**

FPSC-RECORDS/REPORTING

# Rayonier

January 18, 1996

Ms. Jennifer Iwenjiora  
Division of Water & Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Dear Ms. Iwenjiora,

In response to your questions regarding Sunray Utilities - Nassau, Inc.'s 1993 CIAC report, I am enclosing a corrected CIAC report and also several corrected schedules. The changes made to these documents are as follows:

- 1) Line 1 of the CIAC report previously submitted, Total CIAC, incorrectly included the amount of gross-up received. Therefore Line 1 of the previously submitted report was reduced by the CIAC gross-up received on Line 19 to arrive at the corrected amount. Due to this correction, Lines 7 and 9 have been adjusted accordingly.
- 2) Item number 3 on the schedule entitled "Additional Information Provided with the 1993 CIAC Report" was changed to reflect the change made in Item number 1 above.
- 3) The Calculation of Refund schedule was also adjusted as a result of the change to Line 7 on the CIAC report mentioned in Item 1 above.

Answers to your questions are as follows:

- ♦ INTEREST INCOME, FORM 1120, LINE 5: This amount represents the amount of interest on gross-up that Sunray was able to keep as a result of the 1988 & 1989 CIAC reports, Order No. PSC-92-0960-FOF-WS.
- ♦ OTHER INCOME, FORM 1120, LINE 10:

Total CIAC	\$172,044.54	
Gross-up	83,053.34	
Gross-up refunds	(37,999.40)	Required for years 1991 & 1992
Loss on sale of asset	<u>(1,361.35)</u>	
Total	\$215,737.13	
- ♦ ADDITIONAL TAX RETURNS & SCHEDULES: The 1993 pro-forma Federal Tax Return included in the package you received is the only tax return prepared specifically for Sunray Utilities - Nassau, Inc. This is the same tax return submitted with all the CIAC reports previously submitted.

I hope this information is helpful and has sufficiently answered your questions. Please feel free to call me on my direct line (904) 321-5544 if you need any additional information.

Sincerely,



Sunray Utilities - Nassau, Inc.  
By: Kelli L. Adkins  
As Its: Accounting Manager

RECEIVED  
Sunray Utilities - Nassau, Inc.  
Sunray Utilities - St. Johns, Inc.  
Subsidiaries of Rayonier  
JAN 19 9 48 AM '96  
ADMINISTRATION  
MAIL ROOM

RECEIVED

JAN 19 1996

Florida Public Service Commission  
Division of Water and Wastewater

**CIAC REPORT**  
 FOR TAX RETURN YEAR ENDED Dec 31, 1980

COMPANY: Sunray Utilities-Nassau, Inc.

	<u>TOTAL</u> <u>COMPANY</u>	<u>NON</u> <u>JURISDICTIONAL</u>	<u>JURISDICTIONAL</u>
1. Total CIAC	\$ 172,044.54	\$	\$ 172,044.54
2. Total Connection Fees	( )	( )	( )
3. Total Installation Fees	( 2,000.00 )	( )	( 2,000.00 )
4. Total Prepaid Connection Fees (not in (2))	( )	( )	( )
5. Total Tap-in Fees	( )	( )	( )
6. Total Jack & Bore Fees	( )	( )	( )
7. CIAC Taxable Because of Amendment to Section 118	\$ 170,044.54	\$	\$ 170,044.54
8. Depreciation on (7)	( 4,264.70 )	( )	( 4,264.70 )
9. Taxable Income Effect of (7)	<u>\$ 165,779.84</u>	<u>\$</u>	<u>\$ 165,779.84</u>
10. Form 1120, Line 11	\$ 178,637.00	\$ (116,336.55)	\$ 294,973.55
11. LESS: Form 1120, Line 37	( 85,621.00 )	( 77,829.49 )	( 7,791.51 )
12. Form 1120, Line 28	\$ 93,016.00	\$ (194,166.04)	\$ 287,182.04
13. LESS: Form 1120, Line 29a	( )	( )	( )
14. LESS: Form 1120, Line 29b	( )	( )	( )
15. Form 1120, Line 30	\$ 93,016.00	\$ (194,166.04)	\$ 287,182.04
16. LESS: Net CIAC Taxable Because of TRA '86 (from Line (9))	( 248,833.18 )	( )	( 248,833.18 )
17. PLUS(LESS): Other CIAC Effects of TRA '86 (attached)	_____	_____	_____
18. Adjusted Form 1120, Line 30	<u>\$ (155,817.18)</u>	<u>\$ (194,166.04)</u>	<u>\$ 38,348.86</u>
Current Combined Federal & State Tax Rate <u>37.63</u> %			
19. CIAC Gross-up Collections	\$ 83,053.34 ✓	\$	\$ 83,053.34
20. CIAC Gross-up Refunds	( 37,999.40 )	( )	( 37,999.40 )
21. Interest on gross-up collections, net of tax	2,901.62	_____	2,901.62
22. Net CIAC Gross-up To Be Applied To Line (9)	<u>\$ 46,177.56</u>	<u>\$</u>	<u>\$ 46,177.56</u>
CIAC Gross-up Rate Used <u>60</u> %			

**ADDITIONAL INFORMATION PROVIDED WITH 1993 CIAC REPORT**

**Sunray Utilities - Nassau, Inc.**

- 1) Actual above-the-line tax liability before the effect of CIAC is taken into consideration: \$14,430.68
- 2) Actual above-the-line tax liability after the effect of CIAC is taken into consideration: \$108,066.60
- 3) The amount of CIAC collected for the reporting period: \$172,044.54
- 4) The amount of gross-up collected for the reporting period: \$83,053.34
- 5) Calculation of the amount of over or under collection of CIAC gross-up:  
Under collected \$16,967.43
- 6) The proposed amount of refund and interest: No proposed refund.
- 7) The proposed method of payment: Not applicable.

# Rayonier

Sunray Utilities - Nassau, Inc.  
Sunray Utilities - St. Johns, Inc.

Subsidiaries of Rayonier

June 6, 1996

Ms. Cheryl Johnson  
Division of Water and Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**RECEIVED**

JUN 07 1996

Florida Public Service Commission  
Division of Water and Wastewater

96 JUN 7 11 10 AM '96  
TALLAHASSEE  
FLORIDA PUBLIC SERVICE COMMISSION

Re: 1994 CIAC Gross-up Report

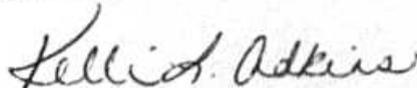
Dear Ms. Johnson:

Attached is Sunray Utilities - Nassau, Inc.'s 1994 CIAC Gross-up Report and pro-forma federal income tax form 1120. I believe I have provided all of the requested information. In order to calculate above-the-line income, I followed staff's recommendation in our previous refund order. By taking the number of customers connected and dividing by plant capacity, I arrived at an 13.8% used and useful rate for 1994. This percentage can be derived using information provided on pages W-5 and S-5 of our Annual Report. The non-used and useful percentage was applied to operating costs and to total deductions (lines 2 and 27 in IRS Form 1120) to arrive at the below the line income (shown as non-jurisdictional on the CIAC Report). All revenue and the remaining costs are considered above the line.

Using these figures in the refund calculation model adopted by the Commission in Order No. PSC-92-0961-FOF-WS an over-collection of \$20.37 occurred in 1994. Due to the immateriality of the amount and the administrative costs associated with distribution, Sunray hereby requests that no refund of tax impact moneys collected in 1994 be ordered by the commission.

Please feel free to call me if you need any additional information or if I can offer further explanation or clarification of my assumptions or calculations.

Sincerely,



Sunray Utilities - Nassau, Inc.  
By: Kelli L. Adkins  
As Its: Accounting Manager

**CIA REPORT**  
 FOR TAX RETURN YEAR ENDED Dec. 31, 1994

COMPANY: Sunray Utilities - Nassau, Inc.

	<u>TOTAL</u> <u>COMPANY</u>	<u>NON</u> <u>JURISDICTIONAL</u>	<u>JURISDICTIONAL</u>
1. Total CIAC	\$ 26,919.00	\$	\$ 26,919.00
2. Total Connection Fees	( )	( )	( )
3. Total Installation Fees	( 3,925.00 )	( )	( 3,925.00 )
4. Total Prepaid Connection Fees (not in (2))	( )	( )	( )
5. Total Tap-in Fees	( )	( )	( )
6. Total Jack & Bore Fees	( )	( )	( )
7. CIAC Taxable Because of Amendment to Section 115	\$ 22,994.00	\$	\$ 22,994.00
8. Depreciation on (7)	( 387.45 )	( )	( 387.45 )
9. Taxable Income Effect of (7)	<u>\$ 22,606.55</u>	<u>\$</u>	<u>\$ 22,606.55</u>
10. Form 1120, Line 11	\$ 383.00	\$ ( 96,886.21 )	\$ 97,269.21
11. LESS: Form 1120, Line 27	( 162,738.00 )	( 140,280.16 )	( 22,457.84 )
12. Form 1120, Line 28	\$ ( 162,355.00 )	\$ ( 237,166.37 )	\$ 74,811.37
13. LESS: Form 1120, Line 29a	( )	( )	( )
14. LESS: Form 1120, Line 29b	( )	( )	( )
15. Form 1120, Line 30	\$ ( 162,355.00 )	\$ ( 237,166.37 )	\$ 74,811.37
16. LESS: Net CIAC Taxable Because of TRA '86 (from Line (9))	( 22,606.55 )	( )	( 22,606.55 )
17. PLUS(LESS): Other CIAC Effects of TRA '86 (attached)	_____	_____	_____
18. Adjusted Form 1120, Line 30	<u>\$ ( 184,961.55 )</u>	<u>\$ ( 237,166.37 )</u>	<u>\$ 52,204.82</u>
Current Combined Federal & State Tax Rate <u>38.57%</u>			
19. CIAC Gross-up Collections	\$ 14,000.40	\$	\$ 14,000.40
20. CIAC Gross-up Refunds	( )	( )	( )
21. Interest on gross-up collections, net of tax	<u>2,814.44</u>	<u>_____</u>	<u>2,814.44</u>
22. Net CIAC Gross-up To Be Applied To Line (9)	<u>\$ 16,814.84</u>	<u>\$</u>	<u>\$ 16,814.84</u>
CIAC Gross-up Rate Used <u>60%</u>			

**CALCULATION OF REFUND - SUNRAY UTILITIES - NASSAU, INC.**

	<u>1994</u>
Taxable CIAC (Line 7)	22,994.00
Less Above-the-Line loss (Line 15)	<u>0.00</u>
	22,994.00
Less first year's Depr. (Line 8)	<u>387.45</u>
Net Taxable CIAC	22,606.55
Effective state and federal tax rate	<u>38.57%</u>
Net Income tax on CIAC	8,719.35
Less ITC Realized	<u>0.00</u>
Net Income Tax	8,719.35
Expansion Factor for Gross-up Taxes	<u>1.603335</u>
Gross-up Required to pay tax effect	13,980.03
Less CIAC Gross-up collected (Line 19)	<u>14,000.40</u>
UNDER/(OVER) COLLECTED (excluding interest)	(20.37)

**ADDITIONAL INFORMATION PROVIDED WITH 1994 CIAC REPORT**

**Sunray Utilities - Nassau, Inc.**

- 1) Actual above-the-line tax liability before the effect of CIAC is taken into consideration: \$20,135.40
- 2) Actual above-the-line tax liability after the effect of CIAC is taken into consideration: \$28,854.75
- 3) The amount of CIAC collected for the reporting period: \$26,919.00
- 4) The amount of gross-up collected for the reporting period: \$14,000.40
- 5) Calculation of the amount of over or under collection of CIAC gross-up:  
Over collected \$20.37
- 6) The proposed amount of refund and interest: No proposed refund due to immateriality of amount and administrative costs associated with distribution.
- 7) The proposed method of payment: Not applicable.