FLORIDA PUBLIC SERVICE COMMISSION
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**M E M O R A N D U M**

October 23, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (IWENJIORA)
DIVISION OF AUDITING & FINANCIAL ANALYSIS (C. ROMIG)
DIVISION OF LEGAL SERVICES (JAEGER)

RE: DOCKET NO. 931141-WS - PARKLAND UTILITIES, INC. - PETITION TO GROSS-UP CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) FOR RELATED TAX IMPACT AND DISPOSITION OF GROSS-UP COLLECTIONS

COUNTY: BROWARD

AGENDA: 11/04/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\931141WS.RCM

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## CASE BACKGROUND

By Order No. 16971, issued December 18, 1986, the Commission granted approval for water and wastewater utilities to amend their service availability policies to meet the tax impact of contributions in aid of construction (CIAC) resulting from the amendment of Section 118(b) of the Internal Revenue Code. Order No. 23541, issued October 1, 1990, ordered utilities currently grossing up CIAC to file a petition for continued authority to gross-up and also ordered that no utility may gross-up CIAC without first obtaining the approval of this Commission. Orders Nos. 16971

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and 23541 also prescribe the accounting and regulatory treatments for the gross-up and require refunds of certain gross-up amounts collected.

On November 24, 1993, pursuant to Order No. 23541, Parkland Utilities, Inc. (Parkland or utility) filed its petition for authority to gross up CIAC. The information as filed met the filing requirements of Order No. 23541; however, numerous questions resulted from our review of the filing such that staff was unable to determine with any degree of certainty that a tax liability would be created by the collection of taxable CIAC. In an effort to complete our review and analysis, staff requested additional information and clarification. As a result of staff's requests, the utility submitted additional information and several revisions to its initial application. However, based on the additional information received, staff still could not conclude that gross-up authority should be granted.

Consequently, by Order No. PSC-94-0653-FOF-WS, issued May 31, 1994, the Commission allowed the full gross-up tariff authority to become effective on an interim basis, subject to refund with interest, in accordance with the provisions of Orders Nos. 16971 and 23541. Additionally, the May 31, 1994 Commission order included a restriction regarding the gross-up funds collected. That order maintained that no monies be withdrawn from the escrow account until a final determination of the utility's authority to collect CIAC gross-up was made. Further, pursuant to Rule 25-30.360 (6), Florida Administrative Code, the utility was required to provide a report by the 20th of each month indicating the monthly and total CIAC gross-up (revenue) collected subject to refund.

At the May 30, 1995 Agenda Conference, the Commission considered Staff's recommendations regarding whether to grant Parkland authority to collect CIAC gross-up and also the disposition of CIAC gross-up funds that had been collected by Canal Utilities, Inc. (Docket No. 941083-WS). In its recommendation regarding Parkland's "final" CIAC gross-up authority, staff recommended that the utility be denied gross-up authority. Following much discussion, this item was deferred to clarify the wording of the recommendation and to verify the amount of available net operating losses (NOLs). Regarding staff's recommendation relating to Canal Utilities, Inc.'s CIAC gross-up disposition, questions were raised as to whether or not staff's method of calculating the gross-up refunds was contrary to the requirement of Order No. 23541 and the Commission's current practice. Also at issue, among others, was the appropriate level of review necessary to grant authority or process a refund, and the offsetting of above-the-line NOLs and investment tax credits (ITCs) with CIAC and taxes. As a result of these issues, among others, staff was directed to hold workshops to discuss viable alternatives. Staff also was directed to consider the need, if any, to change the Commission's current policy. In addition, processing of CIAC gross-up dockets was held in abeyance pending resolution of those issues.

On March 29, 1996, Docket No. 960397-WS was opened to review the Commission's policy concerning the collection and refund of CIAC gross-up. Workshops were held and comments and proposals were received from the industry and other interested parties. By Order No. PSC-96-0686-FOF-WS, issued May 24, 1996, staff was directed to continue processing CIAC gross-up and refund cases pursuant to Orders Nos. 16971 and 23541; however, staff was also directed to make a recommendation to the Commission concerning whether the Commission's policy regarding the collection and refund of CIAC should be changed upon staff's completion of its review of the proposals and comments offered by the workshop participants. In addition, staff was directed to consider ways to simplify the process and determine whether there were viable alternatives to the gross-up.

However, on August 1, 1996, The Small Business Job Protection Act of 1996 (The Act) passed Congress and was signed into law by President Clinton on August 20, 1996. The Act provided for the non-taxability of CIAC collected by water and wastewater utilities effective retroactively for amounts received after June 12, 1996. As a result, on September 20, 1996, in Docket No. 960965-WS, Order No. PSC-96-1180-FOF-WS was issued to revoke the authority of utilities to collect gross-up of CIAC and to cancel the respective tariffs unless, within 30 days of the issuance of the order, affected utilities requested a variance. Parkland's interim gross-up authority was revoked and the tariff was canceled as of October 20, 1996.

Since there was no longer a need to review the Commission's policy on the gross-up of CIAC, on October 8, 1996, Order No. PSC-96-1253-FOF-WS was issued, closing Docket No. 960397-WS. However, as established in Order No. PSC-96-0686-FOF-WS, all pending CIAC gross-up refund cases are being processed pursuant to Orders Nos. 16971 and 23541. Further, because of the present non-taxability of CIAC collected by water and wastewater utilities, the issue of final authority is moot. Therefore, the sole purpose of this recommendation is to address the disposition of gross-up collected for the period May 31, 1994 through December 31, 1995. The utility's time to file its 1996 gross-up report has not expired; therefore the appropriate disposition of the gross-up collected during the period, January 1 through June 12, 1996 cannot be addressed at this time.

Parkland Utilities, Inc. is a Class B water and wastewater utility providing service to the public in Broward County. A review of the utility's 1996 annual report reflected approximately 635 water and 633 wastewater customers as of December 31, 1996. Gross annual operating revenues were $231,433 and $401,501 for the water and wastewater systems, respectively. The utility reported a net operating loss of $23,908 for water and a net operating profit of $57,964 for the wastewater system.

## DISCUSSION OF ISSUES

**ISSUE 1**: Should Parkland Utilities, Inc. be required to refund excess gross-up collections for the tax years, March 1 through December 31, 1994 and January 1 through December 31, 1995?

**RECOMMENDATION**: Yes. Parkland Utilities should refund a total of $268,457 to the contributors that paid gross-up during the tax years, March 1 through December 31, 1994 and January 1 through December 31, 1995, for gross-up collected in excess of the tax liability resulting from the collection of taxable CIAC. Further, all gross-up monies collected during these periods should be refunded to the contributors of those monies with interest. The utility should refund $79,612 for the 1994 tax year and $188,845 for the 1995 tax year. The refunds should be completed within six months of the effective date of this Order. The utility should submit copies of canceled checks, credits applied to monthly bills or other evidence which verifies that the refunds have been made, within 30 days from the date of refund. Within 30 days from the date of the refund, the utility should also provide a list of unclaimed refunds detailing the contributors and the amounts, and an explanation of the efforts made to make the refunds. (IWENJIORA, C. ROMIG)

**STAFF ANALYSIS**: Parkland was wholly owned by the developer of the property, Narco Realty, Inc. According to the consolidated 1992 Federal Income Tax return of Narco Realty, Inc. and Subsidiaries for the fiscal tax year ended February 28, 1993, Parkland's share of NOL carry forwards was $1,091,336 at February 28, 1993. However, during the fiscal year ended February 28, 1994, Parkland was spun off from the consolidated group and now files a stand alone return. Parkland filed its own 1993 Federal Income Tax return for the fiscal period beginning on March 1, 1993 and ending on February 28, 1994. It appears that the return was originally prepared or filed with zero NOL carry forwards, but handwritten corrections were made sometime later to include NOLs at March 1, 1993 of $607,725. (Staff noted the discrepancy between the $1,091,336 NOL carry forward attributed to Parkland at February 28, 1993 on the consolidated return and the handwritten $607,725 NOL carry forward at the same date on the Parkland Utilities, Inc. "spun-off" return.) Adding the Parkland loss of $364,223 for 1993 (fiscal period March 1, 1993 through February 28, 1994) to the "restated"

NOL carry forward of $607,725 results in a NOL carry forward of $971,948 at February 28, 1994 and is reflected as such on the 1993 return.

In 1994, Parkland began filing its Federal Income Tax (FIT) returns on a calendar year basis. For the short tax year beginning on March 1, 1994 and ending on December 31, 1994, Parkland's reported $971,948 carry forward from March 1, 1993 was offset against taxable income of $979,251. The $979,251 was comprised of a $1,226,510 gain from forgiveness of indebtedness income; $139,380 in contributions-in-aid-of-construction; and a net loss of $386,639 for other revenues and expenses. The taxable income was, therefore, $979,251 prior to the NOL carry forward of $971,948 and $7,303 after taking into consideration the NOL carry forward.

Although not specifically addressed in its original early submissions and correspondence, the year that the utility was spun off from its parent, Parkland owed Narco Realty, Inc. (the parent) $2,393,917 in debt. At that point, Parkland's gross rate base was $1,167,407. Narco Realty "forgave" the debt in excess of the rate base ($1,226,510), resulting in a gain from forgiveness of indebtedness to Parkland. This has been classified above-the-line for gross-up purposes.

As previously stated, according to the consolidated 1992 Federal Income Tax return of Narco Realty, Inc. and Subsidiaries for the fiscal tax year ended February 28, 1993, Parkland's share of NOL carry forwards was $1,091,336 at February 28, 1993. The utility has not provided a calculation and/or schedule that demonstrates how the $483,611 of NOLs were utilized by Parkland ($1,091,336 less $607,725). However, according to a representative of the CPA firm that prepared their tax returns, some of the Parkland NOLs were utilized in that year and prior years to offset taxable income of other subsidiaries and the parent within the consolidated group. Although Staff believes that this form of tax strategy is acceptable and widely used, Staff believes that in the case of a regulated entity for CIAC gross-up disposition purposes, the NOL carry forwards of Parkland should be shown as those relating to Parkland. In other words, the gross accumulated NOLs generated by Parkland should be used to offset the taxable CIAC for gross-up disposition purposes.

With the belief in mind that Parkland's NOLs should be used by Parkland, staff examined the 1990 through 1995 FIT returns in its possession. In each year where a consolidated return was filed, staff was able to locate the consolidating schedule and determine the net operating loss attributed to Parkland Utilities, Inc. for that year. The losses and accumulated losses taken from FIT returns and supporting schedules, where applicable, follow.

| Tax Year | Consolidated (C) Stand Alone (SA) | NOL | Accumulated NOLS |
|---|---|---|---|
| 1989 | C | 303,797 | 303,797 |
| 1990 | C | 386,534 | 690,331 |
| 1991 | C | 355,527 | 1,045,858 |
| 1992 | C | 252,198 | 1,298,056 |
| 1993 | SA | 364,223 | **1,662,279** |

Staff interprets the above to mean that as of February 28, 1994, Parkland's accumulated NOLs were $1,662,279, but that $570,943 ($1,662,279 less $1,091,336) had been utilized by other entities within the consolidated group. Further, the utility's annual report reflects that the utility was originated in 1975 and began serving customers in 1981. However, our files contain FIT returns from 1989 forward. Therefore, it is very likely that Parkland incurred additional losses for the eight years prior to 1989 that could also be considered in addition to the $1,662,279 reflected above.

Based on the above interpretation and information on hand, staff recommends using the gross $1,662,279 NOL carry forwards accumulated by Parkland only.

In response to staff's request, Parkland filed several schedules that attempted to distinguish the above-the-line NOLs from the below-the-line NOLs at March 1, 1994. However in the latest correspondence, based on a reported $971,948 NOL carry forward and the above-the-line treatment of a gain from indebtedness, the utility's consultants have not attempted to segregate the NOLs. A schedule was attached demonstrating how the $971,948 NOL would be eliminated in the first year. Per correspondence dated January 27, 1997 from Cronin, Jackson, Nixon & Wilson,

> . . . all of the NOL at the beginning of 1994 was utilized during the period ending December 31, 1994. It

does not matter whether the February 28, 1994, NOL was above the line or below the line. The fact is, the NOL was fully utilized and was not available to offset future income on an above or below the line basis.

Because an analysis of the above and below the line components of the February 28, 1994, NOL is irrelevant, Parkland cannot justify the expenditure of accounting fees and costs to complete such an analysis. Such an analysis would require almost all of the work required to prepare a gross-up refund report and cost in excess of $2,000.

Further, correspondence from Rose, Sundstrom & Bentley dated August 21, 1997, states that assuming we use the $971,948 NOL carry forward,

Per the gross-up filing, the company had above-the-line income of $193,857, a below-the-line loss of ($441,116) and income from gain on forgiveness of debt of $1,226,510. On the gross-up report, this gain was unclassified as to above or below the line. . . . We at the Utility do not believe it is necessary to further attempt to allocate the NOL carry-forward between above and below the line operations. The gain on forgiveness of debt is clearly an above the line item since the debt forgiven was that in excess of plant and was incurred to fund losses from operations in prior years which the Commission would surely consider above-the-line. In other words, if the losses from operations were above-the-line, the debt incurred was above-the-line and the gain from the forgiveness of such debt should be considered above-the-line. At the very least, the loss NOLs and the gain on forgiveness of debt are directly related and must be considered together. . . . Since these above-the-line losses at whatever level relate directly to the debt forgiven which was originally incurred to fund such losses, the two must offset one another.

For the reasons mentioned above, we have never revised our analysis of above-the-line and below-the-line taxable income for the years 1990 through 1993. . . . Such an analysis at this point is irrelevant. We do not believe it makes sense to incur costs to revise that analysis to reflect the same basis used in 1994 and 1995 gross-up refund reports.

Staff is willing to accept this treatment of the gain on forgiveness of debt in this particular CIAC gross-up disposition proceeding. Regardless, we do not believe that this treatment should prohibit the Commission from reexamination of the issue in a rate proceeding, nor should it be construed as precedent setting in other gross-up disposition proceedings. Further, if the NOLs are changed or segregated into above-the-line and below-the- line NOLs or are diminished in any manner because of NOLs being attributed to other entities within the consolidated group, then Staff believes that reexamination of the above-the-line treatment of the gain is also appropriate. However, staff believes that the amount of NOLs used to offset that gain should be the gross NOLs that were generated by Parkland, not those NOLs that remain after a portion of them has been utilized by other members of the consolidated group.

**STAFF ADJUSTMENTS**:

Staff's calculations reflect its position to offset CIAC with Parkland's gross NOLs of $1,662,279 and also reflect the inclusion of the $1,226,510 gain on forgiveness of debt above-the-line. Staff's other adjustments follow.

**(a) Connection Fees** - The utility included initial connection fees of $4,140 in its calculation of 1995 above-the-line taxable income. Staff believes that connection fees, tap-in fees, meter fees and similar CIAC charges that were taxable prior to the 1986 amendment of Section 118(b) of the Internal Revenue Code should be excluded from above-the-line income because they were taxable prior to 1986. The exclusion of these revenues is consistent with Commission practice. For this reason, staff decreased the utility's 1995 taxable income by $4,140.

**(b) Depreciation** - In its above-the-line calculation of depreciation expense for 1994 and 1995 the utility reduced above-the-line depreciation expense to reflect the amount attributed to non-used and useful plant. Staff concurs. However, in addition, Parkland removed the entire amount of depreciation on contributed plant. Staff disagrees with the reclassification of the entire amount of depreciation on contributed plant to below-the-line. Consistent with Commission policy and Order No. 23541, the first year's depreciation on contributed assets should be reflected above-the-line for gross-up disposition purposes. Consequently, staff decreased the utility's taxable income by $1,160 for 1994 and by $11,787 for 1995, the respective amounts of first year's depreciation on contributed assets for those years.

**(c) Other deductions/O&M expenses** - In 1994 and 1995, Parkland reduced the above-the-line operating expenses from the amounts in its annual reports to reflect the level of operating expenses approved in its last rate case, adjusted for inflation and customer growth. In 1994, Parkland also made an adjustment to convert the twelve months of data to ten months to "match" the FIT return period. On the other hand, staff used the amount in the FIT return as the more objective measure in this instance.

The utility defended its approach to the break out of above and below-the-line operating expense. Parkland believes that absent customer growth it is appropriate to adjust the level of operation and maintenance expenses to the level approved in its last rate case because to the extent that actual expenses during these years exceeded those approved, the shortfall would not be realized through service revenues. Further, the utility believes that the shortfall was funded by the utility's stockholders. Thus, the excess of actual expenses over those embedded in the utility's rates should appropriately be classified as below-the-line expenses.

Staff disagrees with the utility's adjustment. Staff believes that all operating expenses except non-utility expenses should be included above-the-line. Staff notes that those expenses are utility related and are used in determining whether the utility is exceeding its authorized rate of return for earnings surveillance purposes. Therefore, they should be included above-the-line. The fact that the utility may not be earning within its authorized range should not determine the level of above-the-line expenses for gross-up purposes. The utility has the choice to request compensatory rates whenever its revenues fall short of covering its expenses.

Further, staff believes that unless there is evidence that the amounts in the annual reports are unreasonable or an annual report for the tax year does not exist, the above-the-line amounts for

CIAC gross-up authority, should reasonably mirror the amounts reflected in the utility's annual reports for those years. Staff believes the annual reports to be an objective measure of expenses for gross-up disposition purposes and that they should not be altered, based on a utility's level of earnings. Further, the utilities' annual reports contain the financial information that the Commission relies upon to determine the utility's achieved rate of return. Staff's position is consistent with the Commission's decisions in the CIAC gross-up refund case for Eagle Ridge Utilities, Inc. (Docket No. 961077-SU, Orders Nos. PSC-96-1394-FOF-SU and PSC-97-0647-FOF-SU) wherein the Commission used the management fees in the utility's annual report and not the management fees proposed by the utility. The management fees proposed by the utility were management fees upon which rates were set in 1985, adjusted for customer growth and the change in the Consumer Price Index. Additionally, in Forest Utilities, Inc., CIAC gross-up disposition (Docket No. 961237-SU, Orders Nos. PSC-97-0007-FOF-SU and PSC-97-0648-FOF-SU), the Commission also used the entire amount of officers' salaries included in its annual report. In both cases, the Commission determined that because the level of expenses in the annual report were used to determine earnings, that level also should be used for CIAC gross-up disposition purposes and reflected as an above-the-line expense.

**ANNUAL GROSS-UP REFUND AMOUNTS**

**1994**

The utility proposes zero refund in 1994. Staff proposes a $79,612 refund. Staff's calculation is on Schedule No. 1. A summary of staff's calculation follows.

Taking into consideration the utility's position as reflected in its August 27, 1997 letter, that the $1,226,510 gain on forgiveness of debt should be above-the-line, staff calculates that the utility's proposed above-the-line income is $1,286,967 for the tax year, March 1 through December 31, 1994, before the inclusion and effect of taxable CIAC. However, as a result of the adjustments discussed above, staff calculated above-the-line income of $1,205,637 before the inclusion and effect of taxable CIAC for the same period and before consideration of the staff's NOL carry forward of $1,662,279. Order No. 23541, issued October 1, 1990, requires that CIAC income be netted against the above-the-line losses and that first year's depreciation on contributed assets be netted against taxable CIAC. Applying the NOL carry forward to the adjusted income before CIAC and its effects results in a $456,642 NOL carry forward that is available to offset taxable CIAC of $133,400 less first year's depreciation of $1,160, or $132,240. Based on the above, staff calculates that Parkland has no tax liability for the 1994 tax period and, therefore, all gross-up collected for that year should be refunded. The utility indicates that it collected $79,612 in CIAC gross-up for 1994, all of which should be refunded. Further, staff calculates that there is $324,402 NOL that should be carried forward to 1995.

Staff recommends that the utility refund $79,612 for the 1994 tax year, plus accrued interest through the date of the refund. In accordance with Orders Nos. 16971 and 23541, all amounts should be refunded on a pro rata basis to those persons who contributed the taxes. The refunds should be completed within six months of the effective date of this Order. The utility should submit copies of canceled checks, credits applied to monthly bills or other evidence which verifies that the refunds have been made, within 30 days from the date of refund. Within 30 days from the date of the refund, the utility should also provide a list of unclaimed refunds detailing the contributors and the amounts, and an explanation of the efforts made to make the refunds.

**1995**

For 1995, the utility calculated a refund of $12, but proposes no refund because of the immateriality. Staff proposes a $188,845 refund. Staff's calculation is on Schedule No. 1. A summary of staff's calculation follows.

Parkland calculates that the above-the-line income is $60,450 for 1995, before the inclusion and effect of taxable CIAC. However, as a result of the adjustments discussed above, staff calculates above-the-line income of $11,412 before the inclusion and effect of taxable CIAC for the same period and before consideration of the staff's NOL carry forward of $324,402. Order No. 23541, issued October 1, 1990, requires that CIAC income be netted against the above-the-line losses and that first year's depreciation on contributed assets be netted against taxable CIAC. Applying the NOL carry forward to the adjusted income before CIAC and its effects results in a $312,990 NOL carry forward that is available to offset taxable CIAC of $457,588 less first year's depreciation of $11,787, or $445,801. Based on the above, staff calculates that Parkland has a taxable income resulting from the collection of CIAC of $132,811. Applying the statutory tax rate results in income tax expense of $49,977 and gross-up needed of $80,129. The utility collected $268,974 in CIAC in 1995. Therefore, staff calculates the refund amount to be $188,845.

Staff recommends that the utility refund $188,845 for 1995, plus accrued interest through the date of the refund. In accordance with Orders Nos. 16971 and 23541, all amounts should be refunded on a pro rata basis to those persons who contributed the taxes. The refunds should be completed within six months of the effective date of this Order. The utility should submit copies of canceled checks, credits applied to monthly bills or other evidence which verifies that the refunds have been made, within 30 days from the date of refund. Within 30 days from the date of the refund, the utility should also provide a list of unclaimed refunds detailing the contributors and the amounts, and an explanation of the efforts made to make the refunds.

**ISSUE 2**: Should the docket be closed?

**RECOMMENDATION**: No. Upon expiration of the protest period this docket should remain open pending verification of the refunds. Staff should be granted administrative authority to close the docket upon verification that the refunds have been completed. (JAEGER, IWENJIORA)

**STAFF ANALYSIS**: Upon expiration of the protest period, if a timely protest is not filed by a substantially affected person, this docket should remain open pending completion and verification of the refunds. Staff recommends that administrative authority be granted to close the docket upon verification that the refunds have been made.

SCHEDULE NO. 1

PARKLAND UTILITIES INC

STAFF CALCULATED GROSS-UP REFUND

| | | 1994 | 1995 |
|---|---|---|---|
| 1 | A-T-L TAXABLE INCOME PER UTILITY BEFORE CIAC | $1 286 967 | $80 450 |
| 2 | Plus taxable CIAC | 133 400 | 457 588 |
| 3 | A-T-L TAXABLE INCOME PER UTILITY | [illegible] | [illegible] |
| 4 | | | |
| 5 | STAFF ADJUSTMENTS | | |
| 6 | (a) Remove initial connection fees | | (4 140) |
| 7 | (b) First year's depreciation on contributed assets | (1 160) | (11,787) |
| 8 | (c) Adjust O&M expenses to amounts on FIT returns | (81 330) | (44 898) |
| 9 | | | |
| 10 | | | |
| 11 | TOTAL STAFF ADJUSTMENTS | [illegible] | [illegible] |
| 12 | | | |
| 13 | A-T-L TAXABLE INCOME PER STAFF | $1 337 877 | $457 213 |
| 14 | Less CIAC | (133 400) | (457 588) |
| 15 | Plus first year's depreciation on CIAC | 1 160 | 11 787 |
| 16 | | | |
| 17 | A-T-L TAXABLE INCOME PER STAFF BEFORE CIAC | [illegible] | [illegible] |
| 18 | | | |
| 19 | Less NOL carryforward | ($1,662 279) | ($324 402) |
| 20 | | | |
| 21 | NOL remaining to offset against CIAC | [illegible] | [illegible] |
| 22 | | | |
| 23 | Post 1986 CIAC | 133 400 | 457 588 |
| 24 | Less first year's depreciation on CIAC | (1,160) | (11,787) |
| 25 | | | |
| 26 | Post 1986 CIAC subject to gross-up | 132 240 | 445 801 |
| 27 | | | |
| 28 | | | |
| 29 | Adjusted income incl. CIAC & NOL | ($324,402) | $132 811 |
| 30 | | | |
| 31 | | | |
| 32 | | | |
| 33 | Net Post 1986 CIAC | $132,240 | $445 801 |
| 34 | | | |
| 35 | Taxable CIAC resulting in a tax liability | $0 | $132 811 |
| 36 | Less first year's depreciation | n/a | n/a |
| 37 | | | |
| 38 | Net taxable CIAC | $0 | $132 811 |
| 39 | Combined marginal state & federal tax rate | 37 63% | 37 63% |
| 40 | | | |
| 41 | Net income tax on CIAC | $0 | $49 977 |
| 42 | Less ITC realized | 0 | 0 |
| 43 | | | |
| 44 | Net income tax | $0 | $49 977 |
| 45 | Expansion factor to gross up taxes | 1.60333 | 1.60333 |
| 46 | | | |
| 47 | Gross-up required to pay tax effect | $0 | $80 129 |
| 48 | Gross-up collected to pay tax effect | 79,612 | 249 974 |
| 49 | | | |
| 50 | | | |
| 51 | (OVER) OR UNDER COLLECTION | ($79 612) | ($169 845) |
| 52 | | | |
| 53 | | | |
| 54 | TOTAL YEARLY REFUND | ($79 612) | ($169 845) |
| 55 | | | |
| 56 | | | |
| 57 | PROPOSED REFUND (excluding interest) | $249 457 | |
| 58 | | | |