

1145

# Parkland Utilities, Inc.

8001 Parkside Drive, Parkland, FL 33067  
Phone (305) 753-7906, 7903, 9550  
Fax (305) 344-9963, 341-8491

ORIGINAL  
FILE COPY

August 30, 1995

*Rendon*

Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399

RE: Workshop on Gross-up of Contributions in Aid of Construction

Dear Commissioners,

For this Workshop, I propose that you consider an alternative to the current treatment of CIAC for tax purposes.

Our goal is to keep the Utilities whole and not burden the rate payers with any tax on CIAC, now or in the future. I believe that the entire tax burden created by the 1986 changes in the tax laws should be born by the contributors of CIAC.

My recommendation is that full Gross-up be allowed on all CIAC. These amounts would be accounted for as Deferred Tax Credit. There would not be any above or below line analyses, nor would there be any need for refunds. Every dollar of taxable income is effected by the receipt and reporting of CIAC as taxable income. The year of receipt, the year of payment of tax or the operating profit or loss of the utility's operations do not effect the fact that at some point there is a tax impact by the taxability of CIAC income. Any NOL carry forward or operating loss that is used to offset CIAC income results in a cash shortfall sometime in the future to pay for taxes, thus placing the burden on the user rates.

The establishment of capacity charges is where this concept works well. Had the PSC recognized the full tax possibility in establishing capacity charges, they could have included the tax in the Utility's capacity fee. No further analysis, reservation or accounting would be necessary. Collecting the tax with the charge assures that operations, and thereby rates, would not be impacted by the taxability of CIAC income. If there is any effect on rates by the depreciation of CIAC wherein tax is collected, that would be best analyzed during rate setting.

ACK  
AFA

APP The following is a simplified illustration of why the effects of  
CAF operations should not be considered with Gross-up on CIAC:

CMU  
CTR  
EAG  
LEG  
LIN  
OPC  
RCH  
SEC  
WAS  
QTH

Let's assume an above the line operating income over five years:

YEAR	1995	1996	1997	1998	1999	TOTAL
Profit	(25,000)	(20,000)	5,000	10,000	30,000	0
NOL Carry	(25,000)	(45,000)	(40,000)	(30,000)		
Taxable Income	0	0	0	0	0	0

The above would result in no tax liability in any year. DOCUMENT NUMBER-DATE

08913 SEP 11 8  
FPSC-RECORDS/REPORTING

PSC Gross-up Workshop  
8/30/95  
Page 2

The following adds CIAC of 25,000 in the first two years:

YEAR	1995	1996	1997	1998	1999	TOTAL
Profit	(25,000)	(20,000)	5,000	10,000	30,000	0
CIAC	25,000	25,000	0	0	0	50,000
NOL Carry	0	0	0	0	0	
Taxable Income	0	5,000	5,000	10,000	30,000	50,000

In 1995 there is no taxable income and therefore Gross-up on CIAC would be refunded under the currently established procedure.

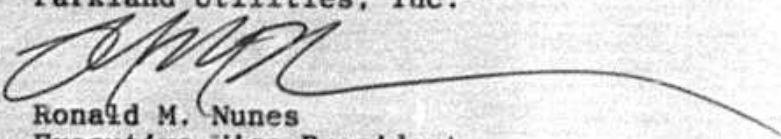
In 1996 there is 5,000 in taxable income, and the gross-up on 20,000 would be refunded under the currently established procedure

In 1997 there is 5,000 in taxable income. While clearly the receipt of CIAC in 1995 is causing the tax liability, the money to pay this tax has been refunded. By the end of this example, the Utility and rate payers would be burdened with tax on \$45,000 that the contributor of the CIAC should be paying. I feel that the Utility should have retained the Gross-up and had the cash available to pay for the tax when the liability actually occurs.

I hope these comments and the results of this Workshop lead to a simplification of the process, clarification of the responsible party to pay for its tax impact and the needed protection for the Utilities and rate payers.

Thank You.

Sincerely,  
Parkland Utilities, Inc.



Ronald M. Nunes  
Executive Vice President

RECEIVED

SEP 12 1995

3:00

EPSC-RECORDS/REPORTING

MEMORANDUM

SEPTEMBER 11, 1995

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (ERSTLING)

RE: UNDOCKETED - EXAMINATION OF THE POTENTIAL COSTS AND BENEFITS OF UNBUNDLING THE NATURAL GAS LOCAL DISTRIBUTION COMPANIES IN THE STATE OF FLORIDA

Attached is a NOTICE OF STAFF WORKSHOP to be issued in the above-referenced docket together with several information pages which need to be included with the Notice. (Number of pages in Notice - 6) Please add to your mailing list the attached list of persons who requested to be included in these workshops.

SLE/js  
 Attachment  
 cc: Division of Electric and Gas (Makin)  
 I: UNBUNDLI.SLE

OK cp

Location:  
Unbundli. NOT

$$\begin{array}{r}
 103 \\
 \hline
 32 \\
 4 \\
 \hline
 139
 \end{array}$$



OTHER PERSONS TO BE INCLUDED IN THE MAIL OUT

BRUCE WILLIAMS  
DEPARTMENT OF REVENUE  
5050 W. TENNESSEE STREET  
BUILDING - H  
TALLAHASSEE, FLORIDA 32399

NICHOLAS W. MATTIA, JR.  
HORSTAR ENERGY LTD.  
28 WEST GRAND AVENUE  
MONTVALLE, N.J. 07645

MARSHALL STRANBERG  
DEPARTMENT OF REVENUE  
OFFICE OF GENERAL COUNSEL  
P.O. BOX 6668  
TALLAHASSEE, FLORIDA 32312-6668

BOB BURLESON  
CITRUS TRADING  
P.O. BOX 1188  
HOUSTON, TEXAS 77251-1188

WILL ELLSWORTH  
NUI  
NATURAL GAS SERVICES  
P.O. BOX 760  
BEDMINSTER, NEW JERSEY 07921-0760

RHONDA J. PARKER  
TEXAS-OHIO GAS, INC.  
ONE MEMORIAL CITY PLAZA  
800 GESSNER SUITE # 900  
HOUSTON, TEXAS 77024

DAVID L. CRUTHIRDS  
CHEVRON U.S.A.  
1301 MCKINNEY  
HOUSTON, TX 77010

WESLEY T. HILLER  
THE HILLER GROUP INC.  
5321 MEMORIAL HWY.  
TAMPA, FLORIDA 33634

KATHLEEN E. MAGRUDER  
ENRON CAPITAL AND TRADE  
DIRECTOR OF STATE REGULATORY AFFAIRS  
400 METRO PLACE NORTH  
DUBLIN, OHIO 43017

LAURA MURRELL  
TENNECO GAS MARKETING COMPANY  
P.O. BOX 2511  
HOUSTON, TEXAS 77252-2511

KAYE ROBERTSON  
DEPARTMENT OF MANAGEMENT SERVICES  
4050 ESPLANADE WAY  
SUITE 325  
TALLAHASSEE, FLORIDA 32399-0950