

ORIGINAL

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JOHN L. WILKINSON

May 13, 1998

VIA HAND DELIVERY

Mr. Charles H. Hill, Director
Division of Water and Wastewater
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

Re: Parkland Utilities, Inc.
Proposed Disposition of Gross-up Funds for 1996
Our File No. 21206.06

Dear Mr. Hill:

Attached are six copies of a schedule showing our calculation of the appropriate disposition of gross-up funds collected for the tax year ended December 31, 1996. You will note that Utility undercollected gross-up in the amount of \$942. Because of this undercollection, no refund is due.

In accordance with the correspondence received from your office on confidential treatment of tax returns, I am submitting one copy of the tax return directly to the Clerk.

I believe after review of the calculations made by the Utility, you will agree that the disposition proposed by them is appropriate.

ACK _____ Should you have any questions in this regard, please let me

AFA know.

APP _____

CAF _____

CMU _____

CTR _____

EAG _____

LEG FMD/tms

LIN Enclosures

OPC cc: Ms. Blanca S. Bayo

RCH _____ Mr. Ron Nunes

SEC _____ Robert C. Nixon, CPA

Sincerely,

ROSE, SUNDBSTROM & BENTLEY

F. Marshall Deterding

DOCUMENT NUMBER-DATE

05368 MAY 13 88

RECORDS/REPORTING

WAS _____

OTH _____

ORIGINAL

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

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ERIC M. DOAN, C.P.A.
ROBERT H. JACKSON, C.P.A.
BRENDA W. McBARRON, C.P.A.
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May 12, 1998

Officers and Directors
Parkland Utilities, Inc.

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

Parkland Utilities, Inc.
Schedule of Gross-up Refund
For the Taxable Year Ended December 31, 1996

Line
No.

1	Total 1996 CIAC collected (Schedule No. 2)	\$ 154,375
2	Less: First year depreciation of CIAC	<u>(491)</u>
3	Net taxable CIAC	153,884
4	Combined state and federal tax rate	<u>.3763</u>
5	Net income tax on CIAC	57,907
6	Expansion factor for gross-up taxes	<u>1.6033</u>
7	Gross-up required to pay tax effect	92,842
8	Actual gross-up collected (1)	<u>103,201</u>
9	Over collection of gross-up	(10,359)
10	Less: 50% of estimated legal, accounting, and management	
11	fees to prepare and process this report (Attachment I)	<u>11,301</u>
12	Net under collection of gross-up	<u>\$ 942</u>
13	Notes: (1) Gross-up collections were not included on the income tax	
14	return, since they are in an escrow account and subject to refund.	
15	Once the Commission determines the appropriate gross-up amount for	
16	each year, that amount will be withdrawn from escrow and reported in	
17	that year's tax return.	

Parkland Utilities, Inc.
 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)	<u>\$ 632,934</u>
3	Deductions:	
4	Taxes and licenses (Line 17) (Schedule No. 3)	40,941
5	Interest (Line 18) (Schedule No. 3)	4,146
6	Depreciation (Line 21b) (Schedule No. 3)	62,578
7	Other deductions (Line 26)	<u>435,460</u>
8		<u>543,125</u>
9	Above the line income before CIAC	89,809
10	CIAC (Line 10) (Note 1)	<u>154,375</u>
11	Above the line taxable income	<u>244,184</u>
12	<u>Below the line taxable income (loss)</u>	
13	Interest (Line 5)	33,680
14	Meter installation, connection, and tap fees	
15	(Line 10) (Note 1)	<u>2,300</u>
16		<u>35,980</u>
17	Deductions:	
18	Taxes and licenses (Line 17) (Schedule No. 3)	16,297
19	Interest (Line 18) (Schedule No. 3)	108,094
20	Depreciation (Line 21b) (Schedule No. 3)	<u>191,854</u>
21		<u>316,245</u>
22	Below the line loss	<u>(280,265)</u>
23	Total taxable income	<u>\$ (36,081)</u>
24	Note (1): CIAC is composed of the following:	
25	Plant capacity charges	\$145,000
26	Property	9,375
27	Meter fees	1,000
28	Tap-in fees	1,000
29	Initial connection fees	<u>300</u>
30	Total CIAC	<u>\$156,675</u>

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

Line
 No.

1	I. <u>Taxes and licenses</u>	
2	Total property taxes	\$ 13,799
3	Used and useful percentage (1)	<u>77.44%</u>
4	Above the line property taxes	10,686
5	Below the line property taxes	<u>3,113</u>
6	Total property taxes	<u>\$ 13,799</u>
7	Total taxes and licenses	\$ 57,238
8	Less: Non-used and useful property taxes	(3,113)
9	State income taxes	<u>(13,184)</u>
10	Total above the line taxes and licenses	40,941
11	Total below the line taxes and licenses	<u>16,297</u>
12	Total taxes and licenses	<u>\$ 57,238</u>
13	II. <u>Interest</u>	
14	Total debt on which interest expense was accrued	<u>\$1,167,407</u>
15	Utility rate base (Schedule No. 4)	<u>\$ 44,754</u>
16	Debt in excess of rate base	<u>\$1,122,653</u>
17	Percentage excess	96.17%
18	Interest expense on long-term debt	<u>\$ 108,246</u>
19	Below the line interest on long-term debt	104,100
20	Miscellaneous interest	<u>3,994</u>
21	Total below the line interest expense	108,094
22	Total above the line interest expense	<u>4,146</u>
23	Total interest expense (Line 18)	<u>\$ 112,240</u>

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

Line
No.

1	III. <u>Depreciation</u>	
2	Total tax depreciation expense	\$ 254,432
3	Less: Depreciation on contributed plant	<u>(173,624)</u>
4	Net depreciation on invested plant	80,808
5	Percent used and useful (1)	<u>77.44%</u>
6	Above the line depreciation expense	62,578
7	Below the line depreciation	<u>191,854</u>
8	Total depreciation expense	<u>\$ 254,432</u>
9	Note (1): Composite used and useful percent is calculated as follows:	
10	Total water transmission and sewer	
11	collection costs (Schedule No. 4)	\$3,330,996
12	Percent used and useful (Schedule No. 4)	<u>.25</u>
13	Total non-used and useful transmission and	
14	collection system costs	832,749
15	Treatment plant costs not in service (Schedule No. 4)	<u>113,755</u>
16	Total non-used and useful plant	<u>\$ 946,504</u>
17	Divide by total depreciable plant	<u>\$4,195,419</u>
18	Composite non-used and useful percentage	22.56%
19	Composite used and useful percentage	<u>77.44%</u>
20	Total	<u>100.00%</u>

Parkland Utilities, Inc.
 Schedule of Rate Base
 For the Taxable Year Ended December 31, 1996

Line No.		<u>Water</u>	<u>Sewer</u>	<u>Total</u>
1	Plant in service	\$1,421,561	\$2,773,858	\$4,195,419
2	Accumulated depreciation	(559,252)	(862,013)	(1,421,265)
3	Non-used and useful plant (1)	(130,531)	(522,164)	(652,695)
4	CIAC	(1,034,068)	(1,986,415)	(3,020,483)
5	Accumulated amortization of CIAC	<u>342,236</u>	<u>601,542</u>	<u>943,778</u>
6	Rate base	<u>\$ 39,946</u>	<u>\$ 4,808</u>	<u>\$ 44,754</u>
7	Note (1): Non-used and useful plant is calculated as follows:			
8	(A) Total ERC's connected to system			<u>745</u>
9	Developed capacity of water transmission,			
10	distribution, and sewer collection system			<u>992</u>
11	Percent used and useful			75%
12	Percent non-used and useful			<u>25</u>
13	Total			<u>100%</u>
14		<u>Water</u>	<u>Sewer</u>	
15	(B) Transmission & distribution and			
16	sewage collection system costs			
17	(Accts. 331, 333, 335; 354, 360,			
18	361, 362, 363, 364, 370)	\$ 750,568	\$2,580,428	
19	Accumulated depreciation on above			
20	accounts	<u>(228,445)</u>	<u>(695,952)</u>	
21		522,123	1,884,476	
22	Percent non-used and useful	<u>.25</u>	<u>.25</u>	
23	Net non-used and useful distribution			
24	and collection system costs	<u>\$ 130,531</u>	<u>\$ 471,119</u>	
25	(C) Sewer treatment plant not in service -			
26	all sewage now purchased			\$ 113,755
27	Accumulated depreciation			<u>(62,710)</u>
28	Net non-used and useful treatment plant			<u>\$ 51,045</u>
29	Total sewer plant non-used and useful			<u>\$ 522,164</u>
30	(\$471,119 + \$51,045)			

Parkland Utilities, Inc.
Actual and Estimated Legal & Accounting Expense
To Process 1996 Gross-up Refund Report

Line No.		Invoice Date	Fees	Out-of- Pocket	Total
1	<u>Accounting</u>				
2	<u>Cronin, Jackson, Nixon & Wilson</u>				
3	September, 1997	10/17/97	\$ 2,175	\$ 4	\$ 2,179
4	December, 1997	01/22/98	825	97	922
5	Total billed through 12/31/97		<u>3,000</u>	<u>101</u>	<u>3,101</u>
6	Unbilled charges, April, 1998:				
7	R. Nixon - 8 hours @ \$150		1,200		1,200
8	Clerical - 1 hours @ \$25		25		25
9	Telephone, copies, Federal Express			100	100
10	Total unbilled charges		<u>1,225</u>	<u>100</u>	<u>1,325</u>
11	Estimate to complete:				
12	Conference with Staff, prepare				
13	additional information				
14	R. Nixon - 4 hours @ \$150		600		600
15	Clerical - 2 hours @ \$25		50		50
16	Review Staff computation and				
17	discuss with client & attorney				
18	R. Nixon - 3 hours @ \$150		450		450
19	Review Staff Recommendation				
20	R. Nixon - 2 hours @ \$150		300		300
21	Review PAA Order				
22	R. Nixon - 1 hours @ \$150		150		150
23	Prepare refund schedule and				
24	transmit to Staff				
25	P. DeChario - 6 hours @ \$75		450		450
26	Telephone, copies, Federal Express, etc.			250	250
27	Total estimate to complete		<u>2,000</u>	<u>250</u>	<u>2,250</u>
28	Total actual & estimated accounting expense		<u>6,225</u>	<u>451</u>	<u>6,676</u>
29	<u>Legal</u>				
30	<u>Rose, Sundstrom & Bentley (M. Deterding)</u>				
31	Estimated cost:				
32	File case, Staff conferences,				
33	accountant conferences, review				
34	Staff Recommendation, attend				
35	Agenda Conference, review Final				
36	Order & refund documents		3,500	200	3,700
37	Total estimated legal expense		<u>3,500</u>	<u>200</u>	<u>3,700</u>
38	<u>East Coast Equity Management Corp.</u>				
39	Ron Nunes (1)	01/31/98	2,325		2,325
40	Ron Nunes	03/02/98	750		750
41	Ron Nunes	04/03/98	1,350		1,350
42	Ron Nunes	05/04/98	150		150
43	Ron Nunes	06/01/98	7,650		7,650
44	Total management		<u>12,225</u>		<u>12,225</u>
45	Total actual & estimated accounting, legal,				
46	and management expense		<u>\$21,950</u>	<u>\$ 651</u>	<u>\$22,601</u>
47	(1) Expense related to time over and above charges for day-to-day management of				
48	Utility operations.				

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COPY

I N V O I C E

October 17, 1997

Mr. Ron Nunes
Parkland Utilities, Inc.
8001 Parkside Drive
Parkland, FL 33067

#515

For professional services rendered during
September, 1997, as follows:

1. Partial billing for preparation of the 1996 PSC gross-up refund report	\$2,175.00
2. Telephone and copies	<u>4.98</u>
Total	<u>\$2,179.98</u>

Cronin, Jackson, Nixon & Wilson
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COPY

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CLEARWATER, FLORIDA 34765-4414
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(813) 797-3602

I N V O I C E

January 22, 1998

Mr. Ron Nunes
Parkland Utilities, Inc.
8001 Parkside Drive
Parkland, FL 33067

#515

For professional services rendered during
December, 1997, as follows:

1. Preparation of 1996 PSC gross-up refund report and review of prior years' reports for analysis of NOL carryforwards	\$825.00
2. Telephone, postage, Federal Express charges, and copies	<u>97.01</u>
Total	<u>\$922.01</u>

EAST COAST EQUITY MANAGEMENT CORPORATION
 7501 S. CypressHead Drive
 Parkland, FL 33087
 Phone: (305) 753-7900

January 31, 1998

Parkland Utilities, Inc.
 8001 Parkside Drive
 Parkland, FL 33067

Invoice for additional services rendered by Ron Nunes for the month of January 1998.

Date	Item	Time
1/7/98	Research for Staff meeting	3.00
1/7/98	PSC Staff Meeting in Tallahassee	8.00
1/23/98	Discuss PSC staff request with Bob Nixon and transmit documents	3.00
1/26/98	Review and discuss Staff response w/Nixon	.50
	Prepare requested documents	1.00
		<u>.00</u>
	Total Hours	15.50
	Billable hours at \$150.00 per hour directly related to Cross-up	\$2,325.00

EAST COAST EQUITY MANAGEMENT CORPORATION
 7501 S. CypressHead Drive
 Parkland, FL 33067
 Phone: (305) 753-7900

March 2, 1998

Parkland Utilities, Inc.
 8001 Parkside Drive
 Parkland, FL 33067

Invoice for additional services rendered by Ron Nunes for the month of February 1998.

Date	Item	Time
2/4/98	Discussions w/Deterding & Nixon re: Gross-up	1.00
2/17/98	Respond to added information request by PSC JI	1.00
2/24/98	Respond to added information request by PSC JI	1.00
2/27/98	Review staff 2/26 recommendation and correspondence from Marty Deterding RE: Gross-up	2.00
		<u>5.00</u>
	Total Hours	5.00
	Billable hours at \$150.00 per hour directly related to Gross-up	\$750.00

EAST COAST EQUITY MANAGEMENT CORPORATION
7501 S. CypressHead Drive
Parkland, FL 33087
Phone: (305) 783-7900

April 3, 1998

Parkland Utilities, Inc.
8001 Parkside Drive
Parkland, FL 33067

Invoice for additional services rendered by Ron Nunes for the
month of March 1998.

Date	Item	Time
3/5/98	Discussion w/Deterding re: J Iwenjiora request	1.00
3/10/98	Attend Hearing in Tallahassee	8.00

Total Hours	9.00
-------------	------

Billable hours at \$150.00 per hour
directly related to Gross-up

\$1,350.00

EAST COAST EQUITY MANAGEMENT CORPORATION
7501 S. CypressHead Drive
Parkland, FL 33067
Phone: (305) 753-7900

May 4, 1998

Parkland Utilities, Inc.
8001 Parkside Drive
Parkland, FL 33067

Invoice for additional services rendered by Ron Nunes for the month of April 1998.

Date	Item	Time
4/3/98	Review final gross-up order for 1994 & 1995	1.00

Total Hours 1.00

Billable hours at \$150.00 per hour
directly related to Gross-up \$150.00

EAST COAST EQUITY MANAGEMENT CORPORATION
7501 S. CypressHead Drive
Parkland, FL 33067
Phone: (305) 753-7900

June, 1998

Parkland Utilities, Inc.
8001 Parkside Drive
Parkland, FL 33067

Invoice for additional services rendered by Ron Nunes for the month of May 1998.

Date	Item	Time
5/4/98	Review 1st draft of 96 refund report	2.00
5/8/98	Review new draft of 96 refund report and discuss w. Bob Nixon	4.00
ESTIMATE	To complete w/o refund	25.00
ESTIMATE	Additional cost with a refund for processing and addition PSC hearings and correspondence	20.00
	Total Hours	51.00
	Billable hours at \$150.00 per hour directly related to Gross-up	\$7,650.00