

**FLORIDA PUBLIC SERVICE COMMISSION**

**Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0850**

**M E M O R A N D U M**

**June 13, 1991**

**TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING**  
**FROM : DIVISION OF WATER AND SEWER (MEADOR) *msd***  
**DIVISION OF LEGAL SERVICES (LORRY JABER) *LP***  
**RE : UTILITY: SOUTHERN STATES UTILITIES, INC.**  
**DOCKET NO.: 910572-WB**  
**COUNTY: ORANGE, SEMINOLE, LAKE, CITRUS, DUVAL, MARTIN,**  
**PUTNAM, CLAY, OSCEOLA, AND MARION**  
**CASE: CANCELLATION OF TARIFF GROSS-UP AUTHORITY**  
**AGENDA : JUNE 25, 1991 - CONTROVERSIAL AGENDA - PROPOSED AGENCY**  
**ACTION - PARTIES MAY PARTICIPATE**

**CRITICAL DATES: NONE**

**SPECIAL INSTRUCTIONS: NONE**

**CASE BACKGROUND**

On February 13, 1986, the Florida Waterworks Association (FWWA) requested that we investigate a proposed repeal of Section 118(b), Internal Revenue Code (I.R.C.), under which certain contributions to the capital of a corporation were excludable from gross income. Ultimately, Section 118(b), I.R.C., was repealed by the Tax Reform Act of 1986 (ACT) and, effective January 1, 1987, contributions-in-aid-of-construction (CIAC) became both gross income and depreciable for federal tax purposes.

Order No. 23541, issued October 1, 1990, found that no utility may gross-up without first obtaining the approval of this Commission. In addition, any utility that was currently grossing-up CIAC was to file a petition, in accordance with the provisions of Order No. 23541, no later than October 29, 1990. Further, Order No. 23541 established accounting procedures for gross-up, and specified that those utilities which do gross-up shall record the gross-up in a separate subaccount. Utilities which had below-the-line losses or ITCs for 1987, 1988, or 1989 were to file amended

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gross-up reports to reflect only above-the-line NOLs and ITCs, with a reconciliation to the amounts originally filed. Finally, utilities with any gross-up amounts collected in excess of a utility's actual tax liability resulting from its collection of CIAC, were ordered to refund the excess collections on a pro rata basis to the contributors of those amounts.

#### DISCUSSION OF ISSUES

**ISSUE 1:** Should the utility's tariff authority to gross-up be canceled?

**RECOMMENDATION:** Yes, Water Original Sheets No. 113.0 and 114.0 and Sewer Original Sheet No. 47.0 and 48.0 should be canceled.  
(MEADOR)

**STAFF ANALYSIS:** By Order No. 16971, issued December 18, 1986, this utility was granted the authority to gross-up its CIAC in order to meet the tax impact resulting from the inclusion of CIAC as gross income. To date this utility has not filed a petition in accordance with Order No. 23541 for continued authority to gross-up CIAC. As a result, the current tariff is in violation of Order No. 23541, and staff recommends that the utility's existing tariff authority to gross-up as contained on Water Original Sheets No. 113.0 and 114.0 and Sewer Original Sheets No. 47.0 and 48.0 be canceled. The cancellation will be effective at the close of the protest period.

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

**RECOMMENDATION:** Yes. (MEADOR)

**STAFF ANALYSIS:** The utility has not filed for authority to continue grossing-up CIAC. If the utility wishes to continue with gross-up, it must file a petition in compliance with Order No. 23541, which would be assigned a new docket number. Unless a substantially affected person files a petition for a formal proceeding regarding the cancellation within twenty-one (21) days of the date of issuance of this Order, this docket should be closed.