

State of Florida



# Public Service Commission

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

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**DATE:** August 20, 1998  
**TO:** Records and Reporting  
**FROM:** Jackie Gilchrist *JG*  
**RE:** Docket No. 980695-WS - Disposition of Gross-up Funds by Lake Groves Utilities, Inc. in Lake County.

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Please place the attached documentation into the utility's docket file:

- Fax dated August 12, 1998 from Gail Joubran to Jackie Gilchrist
- Letter dated June 25, 1998 from Hampton Conley to Jackie Gilchrist
- Fax dated June 15, 1998 from Gail Joubran to Jackie Gilchrist
- Fax dated June 4, 1998 from Gail Joubran to Jackie Gilchrist
- Letter dated May 27, 1998 from Jackie Gilchrist to Gail Joubran
- Letter dated March 20, 1998 from Hampton Conley to Connie McCaskill (CIAC Report)

cc: Jaeger

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- LIN \_\_\_\_\_
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC   1
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE  
**980695** AUG 21 1998  
 PSC-RECORDS/REPORTING

P.O. Box 3884  
Longwood, FL 32791  
Office 407-788-3600  
Fax 407-788-3518



# Fax

To: <u>Jackie</u>	From: <u>Dail</u>
Fax:	Pages: <u>4</u>
Phone:	Date:
Re:	CC:

- Urgent   
  For Review   
  Please Comment   
  Please Reply   
  Please Recycle

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" AMENDED "

UTILITY NAME: Lake Groves Utilities, Inc.YEAR OF REPORT  
DECEMBER 31, 1996

## INCOME STATEMENT

Account Name	Ref. Page	Water	Wastewater	Other	Total Company
<b>Gross Revenue:</b>					
Residential		\$ 142,723	\$ 109,608	\$	\$ 252,331
Commercial		2,099	2,132		4,231
Industrial					
Multiple Family					
Guaranteed Revenues					
Other (Specify) <u>Irr.</u>		22			22
Misc. Service Charges		2,558	2,558		5,116
<b>Total Gross Revenue</b>		<b>\$ 147,402</b>	<b>\$ 114,298</b>	<b>\$</b>	<b>\$ 261,700</b>
<b>Operation Expense (Must tie to pages W-3 and S-3)</b>	<b>W-3 S-3</b>	<b>\$ 37413</b>	<b>\$ 59741</b>	<b>\$</b>	<b>\$ 97154</b>
Depreciation Expense	F-5	44,406	47,444		91,850
Amortization of Organiz.		384	384		768
CIAC Amortization Expense	F-8	(19,195)	(16,329)		(35,524)
Taxes Other Than Income	F-7	18,281	17,094		35,375
Income Taxes	F-7	(36,197)	(43,254)		(77,451)
<b>Total Operating Expense</b>		<b>\$ 47092</b>	<b>\$ 65080</b>	<b>\$</b>	<b>\$ 112,172</b>
<b>Net Operating Income (Loss)</b>		<b>\$ 100,310</b>	<b>\$ 49,218</b>	<b>\$</b>	<b>\$ 149,528</b>
<b>Other Income:</b>					
Nonutility Income		\$	\$	\$	\$
Interest Income		801	801		1,602
Miscellaneous Income		500	500		1,000
<b>Other Deductions:</b>					
Miscellaneous Nonutility Expenses		\$ 22029	\$ 22028	\$	\$ 44,057
Interest Expense		111,771	122,367		234,138
Amort. of Loan Fees		5,972	6,537		12,509
<b>Net Income (Loss)</b>		<b>\$ (38,161)</b>	<b>\$ (100,413)</b>	<b>\$</b>	<b>\$ (138,574)</b>

"AMENDED"

UTILITY NAME: Lake Groves Utilities, Inc.YEAR OF REPORT  
DECEMBER 31, 1996

## WATER OPERATION AND MAINTENANCE EXPENSE

Acct. No.	Account Name	Amount
601	Salaries and Wages - Employees	\$ _____
603	Salaries and Wages - Officers, Directors, and Majority Stockholders	_____
604	Employee Pensions and Benefits	_____
610	Purchased Water	8,451
615	Purchased Power	122
616	Fuel for Power Production	1,382
618	Chemicals	1,113
620	Materials and Supplies	_____
630	Contractual Services:	16,394
	Operator and Management	603
	Testing	_____
	Other	_____
640	Rents	2,229
650	Transportation Expense	2,288
655	Insurance Expense	_____
665	Regulatory Commission Expenses (Amortized Rate Case Expense)	112
670	Bad Debt Expense	4,719
675	Miscellaneous Expenses	_____
	Total Water Operation And Maintenance Expense	\$ 37,413

\* This amount should tie to Sheet F-3.

## WATER CUSTOMERS

Description (a)	Type of Meter ** (b)	Equivalent Factor (c)	Number of Active Customers		Total Number of Meter Equivalents (c x e) (f)
			Start of Year (d)	End of Year (e)	
5/8"	D	1.0	342	484	484
3/4"	D	1.5	_____	_____	_____
1"	D	2.5	_____	_____	_____
1 1/2"	D,T	5.0	_____	_____	_____
2"	D,C,T	8.0	_____	_____	_____
3"	D	15.0	_____	_____	_____
3"	C	16.0	_____	_____	_____
3"	T	17.5	_____	_____	_____
4"	D,C	25.0	_____	_____	_____
4"	T	30.0	_____	_____	_____
6"	D,C	50.0	_____	_____	_____
6"	T	62.5	_____	_____	_____
Other (Specify): _____ _____	_____ _____	_____ _____	_____ _____	_____ _____	_____ _____
Unmetered Customers			_____	_____	_____
** D = Displacement C = Compound T = Turbine			Total	342	484
				484	484

AMENDED

UTILITY NAME: Lake Groves Utilities, Inc.YEAR OF REPORT  
DECEMBER 31, 1996

## WASTEWATER OPERATION AND MAINTENANCE EXPENSE

Acct. No.	Account Name	Amount
701	Salaries and Wages - Employees	\$ _____
703	Salaries and Wages - Officers, Directors, and Majority Stockholders	_____
704	Employee Pensions and Benefits	_____
710	Purchased Wastewater Treatment	_____
711	Sludge Removal Expense	5,788
715	Purchased Power	13,193
716	Fuel for Power Production	_____
718	Chemicals	618
720	Materials and Supplies	13,431
730	Contractual Services:	
	Operator and Management	15,972
	Testing	278
	Other	1,385
740	Rents	_____
750	Transportation Expense	2,229
755	Insurance Expense	2,288
765	Regulatory Commission Expenses (Amortized Rate Case Expense)	_____
770	Bad Debt Expense	113
775	Miscellaneous Expenses	4,446
	Total Wastewater Operation And Maintenance Expense	\$ 59,741

\* This amount should tie to Sheet F-3.

## WASTEWATER CUSTOMERS

Description (a)	Type of Meter ** (b)	Equivalent Factor (c)	Number of Active Customers		Total Number of Meter Equivalents (c x e) (f)
			Start of Year (d)	End of Year (e)	
5/8"	D	1.0	341	483	483
3/4"	D	1.5	_____	_____	_____
1"	D	2.5	_____	_____	_____
1 1/2"	D,T	5.0	_____	_____	_____
2"	D,C,T	8.0	_____	_____	_____
3"	D	15.0	_____	_____	_____
3"	C	16.0	_____	_____	_____
3"	T	17.5	_____	_____	_____
4"	D,C	25.0	_____	_____	_____
4"	T	30.0	_____	_____	_____
6"	D,C	50.0	_____	_____	_____
6"	T	62.5	_____	_____	_____
Other (Specify): _____ _____	_____ _____	_____ _____	_____	_____	_____
Unmetered Customers			_____	_____	_____
** D = Displacement C = Compound T = Turbine			Total	341	483
				483	483



June 25, 1998

State of Florida  
Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: 1996 Annual CIAC Report for Lake Groves Utilities Corporation

Dear Ms. Gilchrist:

This letter is a follow-up to our conversation of June 16<sup>th</sup>, regarding the above annual Report for Lake Groves Utilities. It has come to our attention that the O & M expenses Reported on the 1996 PSC Annual Report were overstated by approximately \$44,000.

This error was unintentional on our part and it is at this time that we respectfully request time to amend the 1996 Annual Report to reflect this adjustment. Your cooperation in this matter is greatly appreciated.

Sincerely yours,

  
Hampton Conley

P.O. Box 3884  
Longwood, FL 32791  
Office 407-788-3800  
Fax 407-788-3518



# Fax

**To:** Jackie Silvest **From:** Gail Jackson

**Fax:** **Pages:** 2

**Phone:** **Date:**

**Re:** **CC:**

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	<u>Per Memo</u>
DEDUCTION	ABOVE LINE
VEHICLE EXPENSE	\$ 4,480.00
POWER	\$ 21,768.00
MAINT & REPAIRS	\$ 17,812.00
TELEPHONE	\$ 4,717.00
WATER TREATMENT	\$ 11,137.00
AMORTIZATION/INTEREST	\$ 71,080.00
PROFESSIONAL FEES	\$ 7,379.00
INSURANCE EXPENSE	\$ 4,578.00
MANAGEMENT FEE	\$ 21,000.00
OFFICE SUPPLIES & EXPENSE	\$ 4,307.00
TAXES	\$ 35,375.00
DEPRECIATION	<u>\$ 102,212.00</u>
	<u>\$ 305,801.00</u>

*[Handwritten notes and calculations]*  
 377,554

1. Need to make decision on whether to file amended Annual Report
2. will decision in writing & specify date on which amended Annual Report will be filed
- 3.

*[Handwritten note:]* Letter to Saul to discuss 4/16/98 utility file amended Annual Report. Board will be consulted in writing. Also amended Annual Report will be prepared in letter.



P.O. Box 3884  
Longwood, FL 32791  
Office 407-788-3600  
Fax 407-788-3518



# Fax

To: Jackie Sulchrest From: Paul Johnson  
 Fax: Pages: 4  
 Phone: Date:  
 Ref: CC:

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LAKE GROVES UTILITIES, INC.  
CALCULATION OF ABOVE AND BELOW THE LINE TAXABLE INCOME  
12/31/98

\\Server\accounting\DATA\LGUR1998\CIACREP.xls

ABOVE THE LINE OPERATIONS:  
OPERATING REVENUES

Form 1120, Line 11	938,190	---
LESS Below the Line Amounts:		
Interest Income	(12)	
Miscellaneous	(1,001)	
Total Above the Line Operating Revenue	937,177	

OPERATING EXPENSES

Form 1120, Line 27	632,355	
LESS Below the Line Amounts:		
Depreciation expense on non-used & useful plant	(80,348)	See Attached Sch. I
Miscellaneous expenses on non-used & useful plant	(89,849)	
Interest Expense on non rate base debt	(178,350)	See Attached Sch. II
Total Above the Line Operating Expenses	305,801	
Above the Line Taxable Income/(loss)	631,376	

BELOW THE LINE OPERATIONS:

Interest Income	12	
Miscellaneous	1,001	
Total Below the Line Revenue	1,013	
Depreciation expense on non-used & useful plant	60,348	See Attached Sch. I
Miscellaneous expenses on non-used & useful plant	89,849	
Interest Expense on non rate base debt	178,356	See Attached Sch. II
Total Below the Line Expenses	326,554	
Below the Line Taxable Income/(loss)	(326,541)	

TAXABLE INCOME/(LOSS) PER TAX RETURN

305,835

\*\*\* Includes only taxable CIAC collected through June 12, 1998 of \$673,887

Total CIAC collected:

CIAC INCOME - CASH  
CIAC INCOME - PROPERTY  
CIAC INCOME - METERS  
CIAC GROSS-UP INCOME

Total CIAC Collected

	WATER	SEWER	TOTAL
	57,207	45,198	102,465
	207,968	336,038	643,904
	11,597	0	11,597
	<u>24,241</u>	<u>153,138</u>	<u>247,379</u>
	<u>371,073</u>	<u>534,270</u>	<u>905,342</u>

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF CIAC GROSS-UP OVER/UNDER COLLECTION  
 SUPPLEMENT TO THE CIAC REPORT

31-Dec-88

\\Server\accounting\DATA\LGUT\1998\CIACREP.xls

	SUGGESTED FORMAT
	<u>31-Dec-88</u>
1. Above the Line Taxable Income	631,376
2. Less Taxable CIAC (excludes Meters)	(426,511)
3. Less Gross-up collected	(247,378)
4. Add first years depreciation on CIAC	5,458
5. Deduct interest on CIAC	(1,591)
6.	
7. Adjusted income before CIAC and Gross-up	(38,644)
8.	
9. Taxable CIAC	426,511
10. Less CIAC ineligible for gross-up	2
11.	
12. Taxable CIAC resulting in a tax liability	387,887
13. Less first years depreciation	(5,458)
14.	
15. Net taxable CIAC	382,409
16. Incremental State and Federal Tax Rate	37.83%
17.	
18. Net Income Tax on CIAC	143,900
19. Less ITC Realized	0
20.	
21. Net Income Tax	143,900
22. Expansion Factor for Gross-up Taxes	1.80333%
23.	
24. Gross-up required to pay tax effect	230,720
25. Less Gross-up Collected	(247,378)
26.	
27. (OVER) OR UNDER COLLECTION	(16,656)

## NOTES

TOTAL CIAC IS DETAILED AS FOLLOWS:

TAXABLE CIAC	426,511
GROSS-UP	247,378
METERS	11,597
CIAC, AFTER 06/12/98	219,858
TOTAL CIAC	<u>905,342</u>

ADJUSTMENTS TO TAX EXPENSE

17510 STATE TAX  
 1381 AMORTIZATION START UP COST  
 2302 AMORTIZATION ORGANIZATION COSTS  
 24619 CIAC REFUND  
 -21 MEALS & ENTERTAINMENT  
 43308 PUBLIC/ PRIVATE PARTNERSHIP  
 752 LEGAL FEES PUBLIC/PRIVATE  
 678 LEGAL FEES, BOUNDARY DISPUTE, EXPANSION  
 4365 REGULATORY ASSESSMENT FEE  


---

 94892

REVISED

REGULATORY ASSESSMENT FEE AND LEGAL FEES COME OUT

17510 STATE TAX  
 1381 AMORTIZATION START UP COST  
 2302 AMORTIZATION ORGANIZATION COSTS  
 24619 CIAC REFUND  
 -21 MEALS & ENTERTAINMENT  
 43308 PUBLIC/ PRIVATE PARTNERSHIP  
 752 LEGAL FEES PUBLIC/PRIVATE  


---

 89849

*6/10/98*  
*17510 - 1381 - 2302 - 24619 - 21 - 43308 - 752 - 678 - 4365 = 94892*  


---

*# 17510 - 1381 - 2302 - 24619 - 21 - 43308 - 752 - 678 - 4365 = 89849*

STATE OF FLORIDA

Commissioners:  
JULIA L. JOHNSON, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
JOE GARCIA  
E. LEON JACOBS, JR.



DIVISION OF WATER & WASTEWATER  
CHARLES H. HILL  
DIRECTOR  
(850) 413-6900

## Public Service Commission

May 27, 1998

Ms. Gail Joubran  
Lake Groves Utilities Corporation.  
P.O. Box 915505  
Longwood, FL 32791

### Re: 1996 Annual CIAC Report for Lake Groves Utilities Corporation

Dear Ms. Joubran:

We have reviewed the 1996 CIAC Report and supplemental schedules of Lake Groves Corporation (LGC or utility). A copy of our preliminary analysis of the refund calculation is attached. This calculation is consistent with the calculation adopted by the Commission in Order No. PSC-92-0961-FOF-WS. Staff's calculation of Above and Below the Line Taxable Income differs from the utility's because of the adjustments made below:

1. The utility placed \$1,603 of Interest Income Below the Line. Interest Income in the amount of \$1,591, has been allocated Above the Line to reflect the amount earned on the CIAC escrow account. As a result, Total Above the line Operating Revenue changed from \$935,586 to \$937,177.
2. The utility reported \$94,892 as the amount of miscellaneous expenses on non-used & useful plant. However, the utility's 1996 annual report shows \$81,769 and \$59,442, as the amount of operating & maintenance expenses for water and wastewater, respectively. Also, the utility's 1996 annual report shows property taxes to be \$10,364 and \$10,687, for water and wastewater, respectively. Therefore, the property taxes associated with used & useful plant has been allocated Above the Line, and is \$6,437 for water ( $\$10,364 \times 62.11\%$ ) and \$6,799 for wastewater ( $\$10,687 \times 63.62\%$ ). Further, regulatory assessment fees in the amount of \$4,174 and \$3,471 for water and wastewater, respectively has been allocated above the line. Because the utility's 1996 annual report shows these expenses to be utility related and used and useful, miscellaneous expenses has been adjusted accordingly. Miscellaneous expenses in the amount of \$162,092 has been allocated Above the Line. As a result, Above the Line operating expenses changed from \$300,758 to \$334,595 and Below the Line expenses changed from \$331,597 to \$297,760.

Ms. Gail Joubran  
Page 2  
May 27, 1998

Based on the adjustments above, staff calculated \$602,582 as Above the line Taxable Income and we calculated a Below the Line loss of \$296,747. Adjusted income before CIAC and Gross-up is (\$67,438) instead of (\$35,192). Taxable CIAC resulting in a tax liability is \$359,073 instead of \$391,319 and Net Taxable CIAC is \$353,615 instead of \$385,861. The Net Income tax on CIAC is \$133,065 instead of \$145,199, and the Gross-up required to pay the tax effect is \$213,348 instead of \$232,803. As a result, the proposed refund calculated for 1996 is \$34,028 (excluding interest) instead of \$14,573.

If the utility disagrees with staff's calculations, alternative or corrected amounts along with supporting documentation should be faxed to me no later than May 29, 1998. My fax number is (850) 413-7020.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

  
Jackie Gilchrist  
Regulatory Analyst

JG:jg

cc: Division of Water and Wastewater (Hill)  
Division of Auditing and Financial Analysis (Causseaux)

**STAFF CALCULATED GROSS-UP REFUND**

Lake Groves Utilities, Inc.

SOURCE: (Line references are from CIAC Reports)

Revised 5/27/98

1996

1	Form 1120, Line 30 (Line 15)	\$	602,582
2	Less CIAC (Line 7)		(426,511)
3	Less Gross-up collected (Line 19)		(247,376)
4	Add First Year's Depr on CIAC (Line 8)		5,458
			0
5	Add/Less Other Effects (Lines 20 & 21)		(1,591)
6			-----
7	Adjusted Income Before CIAC and Gross-up	\$	(67,438)
8			
9	Taxable CIAC (Line 7)	\$	426,511
10	Less first years depr. (Line 8)	\$	(5,458)
11			-----
12	Adjusted Income After CIAC	\$	353,615
13	Less: NOL Carry Forward	\$	0
14			-----
15	Net Taxable CIAC	\$	353,615
16	Combined Marginal state & federal tax rates		37.63%
17			-----
18	Net Income tax on CIAC	\$	133,065
19	Less ITC Realized		0
20			-----
21	Net Income Tax	\$	133,065
22	Expansion Factor for gross-up taxes		1.6033349
23			-----
24	Gross-up Required to pay tax effect	\$	213,348
25	Less CIAC Gross-up collected (Line 19)		(247,376)
26			-----
27	(OVER) OR UNDER COLLECTION	\$	(34,028)
28			=====
29			
30	TOTAL YEARLY REFUND	\$	(34,028)
31			=====
32			
33	PROPOSED REFUND (excluding interest)	\$	(34,028)
34			=====



**LAKE GROVES**  
UTILITIES, INC.

RECEIVED  
PUBLIC  
SERVICE COMMISSION

OF MAR 25 AM 8:21  
MAIL ROOM

March 20, 1998

Ms. Connie L. McCaskill  
Supervisor/Limited Filings  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0873

Re: 1996 Annual CIAC Report for Lake Groves Utilities Corporation

Dear Ms. McCaskill:

Enclosed is the Annual CIAC Report and other required information for the above named Utility for the year ended December 31, 1996. Enclosed herewith is a copy of the duly filed Form 1120, U.S. Corporation Income Tax Return.

If you have any questions or need further information, please call Gail Joubran at (407)869-0300.

Sincerely,

  
Hampton Conley  
General Manager

HC/gaj

Enclosures

**RECEIVED**

MAR 25 1998

Florida Public Service Commission  
Division of Water and Wastewater



**LAKE GROVES UTILITIES, INC.**  
**CALCULATION OF ABOVE AND BELOW THE LINE TAXABLE INCOME**  
 12/31/96

U:\DATA\GUI\1996\CIACREP.xls

**ABOVE THE LINE OPERATIONS:**  
**OPERATING REVENUES**

Form 1120, Line 11  
 LESS Below the Line Amounts:  
 Interest Income  
 Miscellaneous  
 Total Above the Line Operating Revenue

938,190 \*\*\*  
 (4,603) (12)  
 (1,001)  
 935,586 *937,197*

*801,200 - CIAC  
 1,602 - Interest  
 1,001 - Misc  
 249,376 - GROSS  
 126,511 - CIAC*

**OPERATING EXPENSES**

Form 1120, Line 27  
 LESS Below the Line Amounts:  
 Depreciation expense on non-used & useful plant  
 Miscellaneous expenses on non-used & useful plant  
 Interest Expense on non rate base debt

632,355  
 (60,349) See Attached Sch. I  
 (94,892) (161,055)  
 (178,356) See Attached Sch. II  
 300,760 *330,595*  
 634,628 *662,592*

Total Above the Line Operating Expenses

Above the Line Taxable Income/(loss)

**BELOW THE LINE OPERATIONS:**

Interest Income  
 Miscellaneous

4,603 12  
 1,001

Total Below the Line Revenue

2,604 *4,013*

Depreciation expense on non-used & useful plant  
 Miscellaneous expenses on non-used & useful plant  
 Interest Expense on non rate base debt

60,349 See Attached Sch. I  
 94,892 *115*  
 178,356 See Attached Sch. II

Total Below the Line Expenses

331,597 *339,760*

Below the Line Taxable Income/(loss)

(328,993) *(328,041)*

305,835

**TAXABLE INCOME/(LOSS) PER TAX RETURN**

\*\*\* Includes only taxable CIAC collected through June 12, 1996 of \$673,887

*# 420 24 - CIAC  
 3 349,310 - L...*

Total CIAC collected:

- CIAC INCOME - CASH
- CIAC INCOME - PROPERTY
- CIAC INCOME - METERS
- CIAC GROSS-UP INCOME

Total CIAC Collected

WATER	SEWER	TOTAL
57,287	45,198	102,485
207,968	335,936	543,904
11,597	0	11,597
94,241	153,136	247,376
<u>371,073</u>	<u>534,270</u>	<u>905,342</u>

*Handwritten calculations and notes:*

937,197

330,595

662,592

339,760

328,041

305,835

*102,485 - Cash  
 543,904 - Misc  
 11,597 - Int  
 247,376 - GROSS*

*57,287 - Water  
 45,198 - Sewer  
 11,597 - Int  
 94,241 - GROSS*

*371,073 - Water  
 534,270 - Sewer  
 905,342 - TOTAL*

**CALCULATION OF CIAC GROSS-UP OVER/UNDER COLLECTION  
 SUPPLEMENT TO THE CIAC REPORT  
 LAKE GROVES UTILITIES, INC.  
 31-Dec-96**

U:\DATA\GUR1996\CIACREP.xls

31-Dec-96

1. Above the Line Taxable Income
2. Less Taxable CIAC (excludes Meters)
3. Less Gross-up collected
4. Add first years depreciation on CIAC
5. Deduct interest on CIAC
- 6.
7. Adjusted income before CIAC and Gross-up
- 8.
9. Taxable CIAC
10. Less CIAC ineligible for gross-up
- 11.
12. Taxable CIAC resulting in a tax liability
13. Less first years depreciation
- 14.
15. Net taxable CIAC
16. Incremental State and Federal Tax Rate
- 17.
18. Net Income Tax on CIAC
19. Less ITC Realized
- 20.
21. Net Income Tax
22. Expansion Factor for Gross-up Taxes
- 23.
24. Gross-up required to pay tax effect
25. Less Gross-up Collected
- 26.
27. (OVER) OR UNDER COLLECTION

**SUGGESTED  
 FORMAT**

	<del>634,828</del> 201,762
	(428,511)
	(247,376)
	5,458
	(1,591)
	(35,192)
	428,511
	0
	391,319
	(5,458)
	385,861
	37.83%
	145,199
	0
	145,199
	1.60333%
	232,803
	(247,376)
	(14,573)
	-----

**NOTES**

TOTAL CIAC IS DETAILED AS FOLLOWS:

TAXABLE CIAC	428,511 ✓
GROSS-UP	247,376 ✓
METERS	11,597
CIAC, AFTER 06/12/96	219,858
TOTAL CIAC	<u>905,342</u>

PROPOSED CIAC GROSS-UP REFUND SCHEDULE  
SUPPLEMENT TO THE CIAC REPORT  
LAKE GROVES UTILITIES, INC.  
12/31/96

TOTAL TO BE REFUNDED

14,573

(Taxable Contributions Only)  
NAME OF CONTRIBUTOR

AMOUNT OF  
ORIGINAL  
CONTRIBUTION

PERCENTAGE  
CONTRIBUTED

AMOUNT TO  
BE REFUNDED

TITAN U.S. 27  
CONDEV PROPERTIES

178,206  
248,305

41.78%  
58.22%

6,089  
8,484

TOTAL

426,511

100.00%

14,573

SCHEDULE I  
 LAKE GROVES UTILITIES, INC.  
 PLANT ANALYSIS & ALLOCATION OF DEPRECIATION EXPENSE  
 FOR CIAC GROSS-UP RETENTION PURPOSES  
 DECEMBER 31, 1995 & 1996

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	1995	WATER		SEWER		TOTAL WATER & SEWER
		1995	1996	1995	1996	
1) UTILITY PLANT IN SERVICE (excludes land, includes CWIP)	1,112,511	1,400,822	915,315	1,412,008		
2) AVERAGE UTILITY PLANT IN SERVICE		1,256,667		1,163,661		
3) ANNUAL TAX DEPRECIATION EXPENSE		80,088		82,475		
4) WEIGHTED AVERAGE USED & USEFUL %		62.11%		63.62%		
5) WEIGHTED AVERAGE NON-USED & USEFUL		37.89%		36.38%		
		100.00%		100.00%		
6) ABOVE THE LINE DEPRECIATION EXPENSE		49,742		52,470		102,212
7) BELOW THE LINE DEPRECIATION EXPENSE		30,345		30,004		60,349
8) TOTAL ANNUAL DEPRECIATION EXPENSE (TAX)		80,087		82,474		162,561 ✓

**SCHEDULE II  
LAKE GROVES UTILITIES, INC.  
RATE BASE SUMMARY & ALLOCATION OF INTEREST EXPENSE  
FOR CIAC GROSS-UP RETENTION PURPOSES  
DECEMBER 31, 1995 & 1996**

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	<u>WATER</u>		<u>SEWER</u>		<u>TOTAL WATER &amp; SEWER</u>
	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	
1) RATE BASE PER CIAC REFUND PURPOSES	<u>382,466</u>	<u>545,378</u>	<u>193,966</u>	<u>611,004</u>	
2) AVERAGE RATE BASE PER CIAC REFUND PURPOSES		<u>463,922</u>		<u>402,495</u>	<u>866,417</u>
3) ANNUAL INTEREST EXPENSE AND AMORTIZATION OF LOAN FEES		<u>117,743</u>		<u>128,904</u>	
4) WEIGHTED COST OF DEBT CAPITAL		<u>8.11%</u>		<u>8.11%</u>	See Attached Sch. IV-A
5) ABOVE THE LINE INTEREST EXPENSE/LOAN FEES		<u>37,837</u>		<u>32,854</u>	<u>70,291</u> ✓
6) BELOW THE LINE INTEREST EXPENSE/LOAN FEES		<u>80,106</u>		<u>96,250</u>	<u>176,356</u>
7) TOTAL ANNUAL INTEREST EXPENSE/LOAN FEES		<u>117,743</u>		<u>128,904</u>	<u>246,647</u>

SCHEDULE IV  
 LAKE GROVES UTILITIES, INC.  
 CALCULATION OF WEIGHTED AVERAGE COST OF DEBT  
 31-Dec-96

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	LT DEBT 12/31/96 (Annual Report Page F-4)	LT DEBT 12/31/96 (Annual Report Page F-4)	1995/1996 AVERAGE LT DEBT
LONG-TERM DEBT			
LAKE HOLDING, INC.	2,063,177	2,063,873	2,073,525
LAKE HOLDING, INC.	293,471	687,790	490,631
FUNB-EQUIPMENT	14,080	9,634	11,857
	2,390,728	2,761,297	2,576,012

	1995/1996 AVERAGE LT DEBT	PERCENT OF CAPITAL	ACTUAL INTEREST RATES	WEIGHTED AVERAGE RATE
LONG-TERM DEBT				
LAKE HOLDING, INC.	2,073,525	80.49%	8.14%	6.55%
LAKE HOLDING, INC.	490,631	19.05%	8.00%	1.52%
FUNB-EQUIPMENT	11,857	0.46%	10.00%	0.05%
	2,576,012	100.00%		8.12%

SCHEDULE IV-A  
 LAKE GROVES UTILITIES, INC.  
 INTEREST EXPENSE - ABOVE & BELOW THE LINE  
 12/31/96  
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 1996

	<u>Average</u>	<u>Specific Adjustment</u>	<u>Balance</u>	<u>Pro-rata Adjustment</u>	<u>Average Capital Supporting Rate base</u>	<u>Weight</u>
Common Stock						
Premium on Common Stock						
Retained Earnings						
Reacquired stock						
Total Equity	(682,620)	682,620	0	0	0	0.000000
Long-term debt	2,576,012		2,576,012	(1,713,407)	862,605	0.995601
Customer deposits	<u>11,383</u>		<u>11,383</u>	<u>(7,571)</u>	<u>3,812</u>	<u>0.004399</u>
	1,904,775	682,620	2,587,395	(1,720,978)	866,417	1.000000

- (1) Weighted Cost of Debt
- (2) Average rate base
- (3) Above the line interest expense & debt discount

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF USED AND USEFUL % BASED ON AVERAGE ERC'S CONNECTED  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994, 1995, and 1996

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	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>WATER</b>						
1) ERCS CONNECTED	0	98	181	233	342	484
2) AVERAGE ERCS	0	49	140	207	288	413
3) PLANT USED	0.00%	10.61%	30.30%	31.13%	43.31%	62.11% ✓
4) PLANT NON-USED	100.00%	89.39%	69.70%	68.87%	56.69%	37.89%
5) LINE ERCS	0	462	482	665	665	665
6) LINES IN USE	0.00%	10.61%	30.30%	31.13%	43.31%	62.11% ✓
7) LINES NON-USED	100.00%	89.39%	69.70%	68.87%	56.69%	37.89%

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF USED AND USEFUL % BASED ON AVERAGE ERC'S CONNECTED  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994, 1995, and 1996

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	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>SEWER</b>						
1) GALLONS TREATED PER YEAR (pg. S-5)	0	676,826	2,635,000	4,349,000	6,062,000	17,415,000
2) GALLONS ALLOWED PER DAY (pg. S-5)	0	75,000	75,000	75,000	75,000	75,000
3) PLANT USED	0.00%	2.47%	9.63%	15.89%	22.14%	63.62% ✓
4) PLANT NON-USED	100.00%	97.53%	90.37%	84.11%	77.86%	36.38%
5) LINE ERCS	0	272	272	272	272	272
6) LINES IN USE	0.00%	2.47%	9.63%	15.89%	22.14%	63.62%
7) LINES NON-USED	100.00%	97.53%	90.37%	84.11%	77.86%	36.38%



LAKE GROVES UTILITIES, INC.  
 CALCULATION OF NON-USED AND USEFUL PLANT FOR CIAC GROSS UP RETENTION PURPOSES  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994, 1995, and 1996

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	1991	1992	1993	1994	1995	1996
<b>WATER</b>						
1) GROSS PLANT	11,480	577,208	654,238	614,434	620,233	711,640
2) LESS CIAC PLANT	<u>(43,854)</u>	<u>(150,088)</u>	<u>(213,619)</u>	<u>(432,210)</u>	<u>(438,859)</u>	<u>(488,895)</u>
3) TOTAL PLANT	<u>(32,374)</u>	427,108	440,619	182,218	181,374	212,645
4) ACCUMULATED DEPRECIATION-PLANT	0	(11,251)	(33,689)	(57,748)	(82,963)	(110,053)
5) ACCUMULATED AMORTIZATION	0	1,175	5,424	13,535	25,951	45,146
6) NET PLANT	<u>(32,374)</u>	417,032	412,154	138,005	124,362	147,738
7) NON-USED & USEFUL %	<u>100.00%</u>	<u>89.39%</u>	<u>89.70%</u>	<u>88.87%</u>	<u>58.89%</u>	<u>37.89%</u>
8) TOTAL NON-USED & USEFUL PLANT	<u>(32,374)</u>	<u>372,785</u>	<u>287,271</u>	<u>85,044</u>	<u>70,501</u>	<u>55,978</u>
9) TRANSMISSION & DISTRIBUTION LINES	0	129,934	129,934	491,532	492,278	689,182
10) LESS CIAC LINES	<u>(27,943)</u>	0	0	<u>(128,684)</u>	<u>(128,684)</u>	<u>(338,652)</u>
11) TOTAL LINES	<u>(27,943)</u>	129,934	129,934	362,848	363,594	352,530
12) ACCUMULATED DEPRECIATION-LINES	0	(1,858)	(5,568)	(11,445)	(25,502)	(42,818)
13) ACCUMULATED AMORTIZATION	0	0	0	0	0	0
14) NET TRANSMISSION & DISTRIBUTION LINES	<u>(27,943)</u>	128,078	124,366	351,403	338,092	309,712
15) NON-USED & USEFUL %	<u>100.00%</u>	<u>89.39%</u>	<u>89.70%</u>	<u>88.87%</u>	<u>58.89%</u>	<u>37.89%</u>
16) TOTAL NON-USED & USEFUL LINES	<u>(27,943)</u>	<u>114,489</u>	<u>88,683</u>	<u>242,009</u>	<u>191,664</u>	<u>117,350</u>
17) LAND	420,634	420,635	420,635	420,635	420,635	420,635
18) NON-USED & USEFUL %	<u>100.00%</u>	<u>89.39%</u>	<u>89.70%</u>	<u>88.87%</u>	<u>58.89%</u>	<u>37.89%</u>
19) TOTAL NON-USED & USEFUL LAND	<u>420,634</u>	<u>376,008</u>	<u>293,183</u>	<u>289,691</u>	<u>238,458</u>	<u>159,379</u>
20) TOTAL NON-USED & USEFUL WATER	<u>360,317</u>	<u>863,280</u>	<u>687,137</u>	<u>626,744</u>	<u>500,623</u>	<u>332,707</u>

LAKB GROVES UTILITIES, INC.  
 CALCULATION OF NON-USED AND USEFUL PLANT FOR CIAC GROSS UP RETENTION PURPOSES  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994, 1995, and 1996

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	SEWER	1991	1992	1993	1994	1995	1996
1)	GROSS PLANT	13,384	198,838	414,884	402,587	404,802	556,197
2)	LESS CIAC PLANT	<u>(35,993)</u>	<u>(111,600)</u>	<u>(159,588)</u>	<u>(329,778)</u>	<u>(329,778)</u>	<u>(374,976)</u>
3)	TOTAL PLANT	(22,209)	87,238	255,278	72,819	74,824	181,221
4)	ACCUMULATED DEPRECIATION-PLANT	0	(4,710)	(17,082)	(33,768)	(54,689)	(81,467)
5)	ACCUMULATED AMORTIZATION	0	787	3,838	8,246	19,072	35,401
6)	NET PLANT	(22,209)	83,313	242,032	48,897	39,227	135,155
7)	NON-USED & USEFUL %	100.00%	97.53%	90.37%	84.11%	77.86%	36.38%
8)	TOTAL NON-USED & USEFUL PLANT	<u>(22,209)</u>	<u>81,253</u>	<u>218,735</u>	<u>41,129</u>	<u>30,540</u>	<u>49,174</u>
9)	COLLECTION SYSTEM	0	113,245	217,288	510,713	510,713	855,809
10)	LESS CIAC LINES	<u>(19,850)</u>	0	0	<u>(111,808)</u>	<u>(111,808)</u>	<u>(447,744)</u>
11)	TOTAL LINES	(19,850)	113,245	217,288	398,905	398,905	408,065
12)	ACCUMULATED DEPRECIATION-LINES	0	(1,472)	(5,830)	(13,881)	(29,494)	(50,140)
13)	ACCUMULATED AMORTIZATION	0	0	0	0	0	0
14)	NET TRANSMISSION & DISTRIBUTION LINES	(19,850)	111,773	211,458	385,024	369,411	357,925
15)	NON-USED & USEFUL %	100.00%	97.53%	90.37%	84.11%	77.86%	36.38%
16)	TOTAL NON-USED & USEFUL LINES	<u>(19,850)</u>	<u>109,009</u>	<u>191,104</u>	<u>323,856</u>	<u>287,608</u>	<u>130,226</u>
17)	LAND	467,371	467,370	467,370	467,370	467,370	467,370
18)	NON-USED & USEFUL %	100.00%	97.53%	90.37%	84.11%	77.86%	36.38%
19)	TOTAL NON-USED & USEFUL LAND	<u>467,371</u>	<u>455,815</u>	<u>422,383</u>	<u>393,120</u>	<u>383,874</u>	<u>170,046</u>
20)	TOTAL NON-USED & USEFUL SEWER	<u>425,512</u>	<u>646,077</u>	<u>632,222</u>	<u>758,105</u>	<u>682,022</u>	<u>349,446</u>

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF RATE BASE FOR CIAC GROSS RETENTION PURPOSES  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994, 1995, and 1996

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	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>WATER</b>						
1. UTILITY PLANT IN SERVICE	11,480	707,140	784,172	1,105,966	1,112,511	1,400,622
2. LAND	420,634	420,635	420,635	420,635	420,635	420,635
3. NON-USED & USEFUL PLANT	(380,317)	(863,280)	(687,137)	(826,744)	(500,623)	(332,707)
4. CONTRIBUTIONS IN AID OF CONSTRUCTION	(71,797)	(150,098)	(213,619)	(560,900)	(567,543)	(635,647)
5. ACCUMULATED DEPRECIATION	0	(13,107)	(39,457)	(69,196)	(108,465)	(152,871)
6. ACCUMULATED AMORTIZATION OF CIAC	0	<u>1,175</u>	<u>5,424</u>	<u>13,535</u>	<u>25,951</u>	<u>45,146</u>
7. TOTAL WATER RATE BASE	0	<u>102,465</u>	<u>290,018</u>	<u>783,296</u>	<u>382,466</u>	<u>545,378</u>

LAKE GROVES UTILITIES, INC.  
 CALCULATION OF RATE BASE FOR CIAC GROSS RETENTION PURPOSES  
 HISTORICAL PERIODS ENDED DECEMBER 31, 1991, 1992, 1993, 1994, 1995, and 1996

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	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<u>SEWER</u>						
1. UTILITY PLANT IN SERVICE	13,384	312,081	632,152	913,310	915,315	1,412,006
2. LAND	467,371	467,370	467,370	467,370	467,370	467,370
3. NON-USED & USEFUL PLANT	(425,512)	(646,077)	(832,222)	(758,105)	(682,022)	(349,446)
4. CONTRIBUTIONS IN AID OF CONSTRUCTION	(55,243)	(111,600)	(159,588)	(441,586)	(441,586)	(822,720)
5. ACCUMULATED DEPRECIATION	0	(8,182)	(22,912)	(47,849)	(84,163)	(131,607)
6. ACCUMULATED AMORTIZATION OF CIAC	0	787	3,838	9,846	19,072	35,401
7. TOTAL SEWER RATE BASE	0	16,379	68,638	143,186	193,986	611,004