

FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center, 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

APRIL 4, 1996

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

FROM: DIVISION OF WATER AND WASTEWATER (MERCHANT, AUSTIN, *SA*
FUCHS *bc*)
DIVISION OF AUDITING & FINANCIAL ANALYSIS (DAVIS) *AS*
DIVISION OF LEGAL SERVICES (PELLEGRINI) *MR* *PKM*

RE: DOCKET NO. 960011-WS - INDIANTOWN COMPANY, INC. -
INVESTIGATION OF RATES OF INDIANTOWN COMPANY, INC. IN
MARTIN COUNTY FOR POSSIBLE OVEREARNINGS

COUNTY: MARTIN

AGENDA: 4/16/96 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\AFA\WP\960011WS.RCM

CASE BACKGROUND

Indiantown Company, Inc. (Indiantown or utility) is a Class B utility providing water and wastewater service to approximately 1,677 water and 1,585 wastewater customers in Martin County. Based on a desk audit of the 1994 Annual Report for Indiantown staff began an informal investigation into potential overearnings. Staff requested an audit of the utility's books. Based on the auditor's suggested adjustments, it appeared that the utility was earning an overall rate of return of 75.08% for the water system.

Indiantown's last rate case was finalized on April 27, 1983, in Order No. 11891, Docket No. 810037-WS. In that order, rate base was set and an authorized return on equity of 16.35% was approved. Index and pass-through increases were granted in 1986-1994.

By Order No. PSC-95-1328-FOF-WS, issued November 1, 1995, the Commission authorized 10.43%, plus or minus 100 basis points, as the Return on Equity (ROE) for all regulatory purposes effective November 1, 1995.

DOCUMENT NUMBER DATE

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FPSC-RECORDS/REPORTING

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Order No. PSC-96-0169-FOF-WS, issued on February 6, 1996, initiated an investigation of the water rates and charges, ordered water service revenues of \$118,066 on an annual basis to be placed subject to refund with interest in accordance with Rule 25-30.360, Florida Administrative Code, ordered that Indiantown provide the Commission with a corporate undertaking in the amount of \$92,428 as a guarantee of any potential refund of water revenues collected under interim conditions, and that by no later than the twentieth day of each month, Indiantown Company, Inc., shall file a report with the Commission showing the amount of revenues collected each month and the amount of revenues collected to date relating to the amount subject to refund.

This recommendation addresses 1994 rate base, capital, net operating income, 1994 revenue requirement and refund of the 1994 Index Adjustment. Staff's review indicates that Indiantown's realized return on equity exceeded the range of its return on equity authorized in Docket No. 810037-WS, and that the 1994 index should be refunded.

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DISCUSSION OF ISSUES

ISSUE 1: What rate base amounts should be approved for 1994?

RECOMMENDATION: The recommended 1994 rate base is \$105,458 for the water system and \$511,792 for wastewater. (DAVIS, FUCHS)

STAFF ANALYSIS: Based on a desk audit of the 1994 Annual Report for Indiantown staff began an informal investigation into potential overearnings. Staff requested an audit of the utility's books. Based on the auditor's suggested adjustments, it appeared that the utility was earning in excess of its authorized return on equity and therefore it is necessary to establish 1994 rate base to determine the extent. Indiantown's 1994 Annual Report shows its achieved 1994 rate base as \$186,986 for the water System and \$719,971 for the wastewater System. Staff proposes the following adjustments to Indiantown's reported 1994 rate base:

a. CIAC (Audit Exception No. 2): Staff attempted to substantiate the company's CIAC balance by computing the connections made since 1980 at the tariff rates and adding any developer agreements and contributed property. This computation did not agree with the general ledger amounts and since the old cash receipts and general ledgers were not available, the accuracy of the ledger amounts could not be determined. Based on the above computation, staff recommends that water CIAC be increased by \$48,697 and wastewater CIAC be decreased by \$42,984. Accumulated amortization of CIAC should be increased for water by \$17,044 and decreased for wastewater by \$15,044. Amortization of CIAC should be increased for water by \$425 and decreased for wastewater by \$376.

b. Rines Market CIAC (Audit Exception No. 3): In December 1994, Rines Market sold water and wastewater lines to the utility for \$10. The utility then recorded water lines at \$18,332 and water CIAC was recorded only at \$14,202. Wastewater lines were recorded at \$2,372 and wastewater CIAC at \$6,790. To show the lines at their cost and CIAC at cost less the \$10 paid, water plant and CIAC should be increased by \$4,130. Wastewater plant and CIAC should be decreased by \$4,418. Accumulated amortization of CIAC should be increased for water by \$26 and decreased for wastewater by \$28. Amortization of CIAC is not materially affected.

c. Plant Misclassification (Audit Exception No. 7): The contract with Olen Edwards for the West Farms Road Water and Sewer Mains in 1993 showed water assets to be \$126,505 and wastewater assets to be \$79,480. The general ledger recorded these amounts as

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\$102,993 each for water and wastewater. The books need to be adjusted by \$23,513 increasing water plant and decreasing wastewater plant. Accumulated depreciation should be adjusted by \$441 increasing water and decreasing wastewater accumulated depreciation. Depreciation expense should be adjusted by \$588 increasing water and decreasing wastewater depreciation expense.

d. Inventory Close Out (Audit Exception No. 8): The utility charged \$4,259 to inventory which included \$3,859 of meters and \$400 which should have been water expense. Staff recommends that the meters should be capitalized, increasing water plant by \$3,859. The expense needs to be removed and the allowance for working capital (balance sheet method) should be decreased by \$3,116.

e. Revenue Errors (Audit Exception No. 5) and Pensions and Benefits (Audit Exception No. 6): The recommended adjustments to net operating income for revenue errors increase the allowance for working capital by \$2,563 for water and \$626 for wastewater. The recommended adjustments to net operating income for pensions and benefits decrease the allowance for working capital by \$2,572 for water and \$2,765 for wastewater.

f. Non-Used and Useful Components: (Schedules 4-A,B)

Staff has calculated the following plant system used and useful percentages utilizing standard formulas accepted by this Commission in rate case proceedings:

<u>SYSTEM</u>	<u>% USED & USEFUL</u>
Water treatment plant	84.25%
Water distribution system	57.66%
Wastewater treatment plant	100.00%
Wastewater collection system	50.77%

Applying staff's calculations, water plant should be decreased by \$3,681 and accumulated depreciation should be decreased by \$2,709 for a net decrease in water rate base of \$3,681. Wastewater plant should be decreased by \$283,720 and accumulated depreciation should be decreased by \$98,877 for a net decrease in wastewater rate base of \$184,843. Water depreciation expense will decrease by \$150 and wastewater depreciation expense will decrease by \$7,122.

The results of applying staff's recommended adjustments is shown on Schedule 1-A, B and C. As adjusted, Indiantown's 1994 rate base is \$105,458 for the water system and \$511,792 for wastewater.

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ISSUE 2: What is the appropriate overall cost of capital for the year ending December 31, 1994?

RECOMMENDATION: The recommended overall cost of capital for the year ending December 31, 1994 is based on Indiantown's last authorized return on equity of 16.35% and the related range of 15.35% - 17.35%. The overall rate of return is 15.15% with a range of 14.36% - 15.94%. (DAVIS)

STAFF ANALYSIS: The capital structure for 1994 is a thirteen-month average balance for that period. Based upon the recommended adjustments in previous issue and using the last authorized return on equity, 16.35%, staff recommends that the weighted cost of capital is 15.15%. (Schedule 2).

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ISSUE 3: What is the 1994 operating income before any revenue increase or decrease?

RECOMMENDATION: The recommended 1994 achieved operating income amount is \$81,826 for water and \$67,070 for wastewater. (DAVIS)

STAFF ANALYSIS: Indiantown's 1994 Annual Report shows its achieved 1994 net operating income as \$82,218 for the water system and \$61,484 for the wastewater system. Staff proposes the following adjustments to Indiantown's reported 1994 net operating income:

a. **Revenue Errors:** Staff recalculated revenue using number of customers and gallonage from the company billing registers at the tariff rate. The differences were investigated. It was determined that in June of 1994, the company recorded CIAC for Gaspar/Fransisco to a miscellaneous revenue account in an adjustment. The entry credited miscellaneous revenue and debited accounts receivable. In December, the company's outside accountant corrected this in adjustment 24 and debited miscellaneous sales and credited CIAC. However, in July of 1994, the company incorrectly posted a debit to revenues and a credit to Accounts Receivable in the amount of \$258 for wastewater and \$2,376 for water. In July and August, two other adjustments were made to wastewater commercial revenues that were for corrections to accounts receivables, not revenues. They total \$368. The company also billed fire hydrant revenues in December at the old tariff rate. The difference between the old rate and the new is \$187. The company's contract for Bechtel includes guaranteed revenues. Staff could not determine that any revenues were received or recorded. The company will be receiving effluent revenues. None have been received to date.

Staff recommends that test year operating revenue should be increased for each of the above adjustments. Water revenue should be increased by \$2,563 and fire hydrant revenue by \$187 for a total increase of \$2,563. Wastewater revenue should be increased by \$258 and wastewater commercial revenue by \$368 for a total increase of \$626.

b. **Pensions and Benefits Expense:** The company charged \$28,700 of pension and benefits to water and \$33,219 to wastewater. This included an accrual for pension since they did not have the total amount from the actuary at that time. The total charges from Aetna for employee insurance which were booked in the test year were \$118,577. The pension expense for Indiantown Company was \$25,618 per the actuary. Total pension and benefits were \$144,195. Using the payroll allocation rate, water employee benefits should

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decrease by \$2,572 and wastewater employee benefits should decrease by \$2,765. The allowance for working capital should be increased by \$5,337.

C. Taxes: The regulatory assessment fee should be increased by \$115 for water and \$28 for wastewater due to staff's adjustments to revenue. Income taxes should be increased by \$5,256 for water and \$7,383 for wastewater based on staff's adjusted revenue and expenses.

Based on the above adjustments and the depreciation effect of staff's rate base adjustments, staff recommends that the 1994 operating income is \$81,826 for water and 67,070 for wastewater. The operating income is shown on Schedule 3-A, B and C.

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ISSUE 4: Did Indiantown Company earn in excess of its authorized return on equity (ROE) for 1994?

RECOMMENDATION: Yes, the Commission should recognize \$110,834 (rounded) in water revenue which exceeds Indiantown's maximum authorized ROE of 17.35% as a final determination of Indiantown's 1994 earnings. The wastewater system was earning within its authorized range of ROE. (DAVIS)

STAFF ANALYSIS: Based upon staff's proposed recommendations concerning the underlying rate base, cost of capital, and operating income issues, we recommend approval of a revenue requirement of \$340,758 for the water system. As adjusted, Indiantown's 1994 ROE is 50.77% for the water system, which is above its maximum authorized ROE of 17.35%. The revenue in excess of the maximum authorized ROE is \$110,834. As adjusted, Indiantown's 1994 ROE is 17.29% for the wastewater system, which is within its authorized range. (Schedule 3-A and B)

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ISSUE 5: Should the utility be ordered to refund the water price index that was implemented in 1994?

RECOMMENDATION: Yes. The 1994 water price index adjustment should be refunded with interest as required by Rule 25-30.360(4), Florida Administrative Code. The amount collected from May 13, 1994, the effective date of the index, is \$15,718. Interest on this amount from May, 1994 to June, 1996 is \$871 for a total refund of \$16,589. The utility should be required to submit the proper refund reports pursuant to Rule 25-30.360(7), Florida Administrative Code. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code. The utility should adjust water service rates downward as indicated in Staff's Schedules 5-A and 5-B. The Staff recommended rates are the approved rates that were in effect prior to the index. The utility should file revised tariff sheets and a proposed customer notice reflecting the appropriate rates and the reason for the reduction. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (AUSTIN, DAVIS)

STAFF ANALYSIS: For service rendered after May 13, 1994, Indiantown implemented a water and a wastewater price index to represent anticipated increases in operating expenses for the forthcoming year. That rate adjustment was designed to increase water revenues by \$8,713, or about 2.05% on an annual basis and wastewater revenues by \$8,651, or about 1.86% on an annual basis. Pursuant to Section 367.081(4)(d), Florida Statutes, the Commission may order a utility to refund, with interest, a price index if, within 15 months after the filing of a utility's annual report, the Commission finds that the utility exceeded the range of its last authorized rate of return on equity. The utility's 1994 annual report was filed on May 9, 1995; consequently, August 9, 1996, would be the fifteen-month expiration date of the Commission's allotted term for ordering refunds of index adjustments. Based upon an average test year for 1994, and appropriate adjustments thereto, our review indicates that Indiantown earned an 77.59% return on water rate base and that the corresponding return on equity investment would be 50.77%. Using a 17.35% limit on equity earnings, the associated overall cost of capital for 1994 would be 15.94%. Thus, our review illustrates that the index adjustment collected in 1994 for the water system, should be refunded. This refund is less than the overall decrease (24.54% or \$110,834) that could occur and still preserve a 17.35% return on equity investment. Only the index is subject to refund. Our review

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clearly shows that the 1994 rate index contributed to an overearnings condition in 1994 for the water system. The wastewater system is earning within their authorized range and no further action is necessary. Therefore, staff recommends that the index applied to water rates in 1994 should be refunded with interest. Utility collections from the index were \$13,538 from July, 1994, when the utility actually implemented the indexed rates, to February, 1996. Staff has expended this amount to include projections of March through June, 1996. Projected collections are \$15,718. Interest calculated in accordance with Rule 25-30.360 (4), F.A.C. for the period from June, 1994 to June, 1996 amounts to \$871 for a total refund of \$16,589.

In addition to adjusting their water service rates downward to those which were in effect prior to the index, the utility should file revised tariff sheets and a proposed customer notice reflecting the appropriate rates and the reason for reduction. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets.

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ISSUE 6: Should this docket be closed?

RECOMMENDATION: No, this docket should remain open to address the revenue subject to refund. A person whose interests are substantially affected by the proposed action herein may file a protest within the 21 day protest period. (DAVIS, PELLEGRINI)

STAFF ANALYSIS: Staff recommends that this docket should remain open to address the revenue subject to refund. No further action by the Commission is necessary pertaining to 1994 earnings unless a person whose interests are substantially affected by the proposed action herein files a protest within the 21 day protest period.

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INDIANTOWN COMPANY, INC.
SCHEDULE OF WATER RATE BASE
TEST YEAR ENDED 12/31/94

SCHEDULE NO. 1-A
DOCKET NO. 960011-WS

<u>COMPONENT</u>	<u>TEST YEAR PER BOOKS</u>	<u>STAFF ADJUSTMENTS</u>	<u>STAFF ADJUSTED TEST YEAR</u>
1 UTILITY PLANT IN SERVICE	\$ 1,338,954	\$ 31,502	\$ 1,370,456
2 LAND & LAND RIGHTS	4,469	0	4,469
3 NON-USED & USEFUL COMPONENTS	0	(3,681)	(3,681)
4 ACCUMULATED DEPRECIATION	(703,669)	(467)	(704,136)
5 CIAC	(554,484)	(52,827)	(607,311)
6 AMORTIZATION OF CIAC	154,212	17,070	171,282
7 ADVANCES FOR CONSTRUCTION	(175,000)	0	(175,000)
8 WORKING CAPITAL ALLOWANCE	<u>52,504</u>	<u>(3,125)</u>	<u>49,379</u>
 RATE BASE	 <u>\$ 116,986</u>	 <u>\$ (11,528)</u>	 <u>\$ 105,458</u>

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INDIANTOWN COMPANY, INC.
SCHEDULE OF WASTEWATER RATE BASE
TEST YEAR ENDED 12/31/94

SCHEDULE NO. 1-B
DOCKET NO. 960011-WS

<u>COMPONENT</u>	<u>TEST YEAR PER BOOKS</u>	<u>STAFF ADJUSTMENTS</u>	<u>STAFF ADJUSTED TEST YEAR</u>
1 UTILITY PLANT IN SERVICE	\$ 2,454,386	\$ (27,931)	\$ 2,426,455
2 LAND	383	0	383
3 NON-USED & USEFUL COMPONENTS	0	(207,908)	(207,908)
4 ACCUMULATED DEPRECIATION	(974,317)	469	(973,848)
5 CIAC	(893,905)	47,402	(846,503)
6 AMORTIZATION OF CIAC	232,471	(15,072)	217,399
7 ADVANCES FOR CONSTRUCTION	(116,000)	0	(116,000)
8 WORKING CAPITAL ALLOWANCE	<u>13,953</u>	<u>(2,139)</u>	<u>11,814</u>
RATE BASE	<u>\$ 716,971</u>	<u>\$ (205,179)</u>	<u>\$ 511,793</u>

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INDIANTOWN COMPANY, INC.
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED 12/31/94

SCHEDULE NO. 1-C
 DOCKET NO. 960011-WS

EXPLANATION

WATER WASTEWATER

STAFF ADJUSTMENTS:

UTILITY PLANT IN SERVICE

(1) CIAC Rines Market (Audit Exception No. 3)	\$ 4,130	\$ (4,418)
(2) Plant Misclassification (Audit Exception No. 7)	23,513	(23,513)
(3) Inventory Close Out (Audit Exception No. 8)	<u>3,859</u>	<u> </u>
Total Adjustment	<u>\$ 31,502</u>	<u>\$ (27,931)</u>

NON-USED & USEFUL COMPONENTS

(1) Non-Used and Useful Plant	\$ (6,390)	\$ (284,881)
(2) Non-Used and Useful Accumulated Depreciation (Adjustment consistent with prior rate case)	<u>2,709</u>	<u>76,973</u>
Total Adjustment	<u>\$ (3,681)</u>	<u>\$ (207,908)</u>

ACCUMULATED DEPRECIATION

(1) CIAC Rines Market (Audit Exception No. 3)	\$ (26)	\$ 28
(2) Plant Misclassification (Audit Exception No. 7)	<u>(441)</u>	<u>441</u>
Total Adjustment	<u>\$ (467)</u>	<u>\$ 469</u>

CIAC

(1) Staff Calculation of CIAC (Audit Exception No. 2)	\$ (48,697)	\$ 42,984
(2) CIAC Rines Market (Audit Exception No. 3)	<u>(4,130)</u>	<u>4,418</u>
Total Adjustment	<u>\$ (52,827)</u>	<u>\$ 47,402</u>

AMORTIZATION OF CIAC

(1) Staff Calculation of CIAC (Audit Exception No. 2)	\$ 17,044	\$ (15,044)
(2) CIAC Rines Market (Audit Exception No. 3)	<u>26</u>	<u>(28)</u>
Total Adjustment	<u>\$ 17,070</u>	<u>\$ (15,072)</u>

WORKING CAPITAL ALLOWANCE

(1) Revenue Errors (Audit Exception No. 5)	\$ 2,563	\$ 626
(2) Pensions and Benefits (Audit Exception No. 6)	(2,572)	(2,765)
(3) Inventory Close Out (Audit Exception No. 8)	<u>(3,116)</u>	<u> </u>
Total Adjustment	<u>\$ (3,125)</u>	<u>\$ (2,139)</u>

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INDIANTOWN COMPANY, INC.
 CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/94

SCHEDULE NO. 2
 DOCKET NO. 960011-WS

<u>DESCRIPTION</u>	<u>TOTAL CAPITAL</u>	<u>SPECIFIC ADJUSTMENTS</u>	<u>PRO RATA ADJUSTMENTS</u>	<u>CAPITAL RECONCILED TO RATE BASE</u>	<u>RATIO</u>	<u>COST RATE</u>	<u>WEIGHTED COST</u>
1 LONG TERM DEBT	\$ 307,402	\$ (140)	\$ (274,099)	\$ 33,163	5.37%	10.74%	0.58%
2 SHORT-TERM DEBT	0	0	0	0	0.00%	0.00%	0.00%
3 PREFERRED STOCK	1,233,500	0	(1,100,371)	133,129	21.57%	6.00%	1.29%
4 COMMON EQUITY	5,271,695	(726,625)	(4,058,237)	486,833	78.87%	16.35%	12.90%
5 CUSTOMER DEPOSITS	43,673	(4,000)	0	39,673	6.43%	6.00%	0.39%
6 DEFERRED INCOME TAXES	55,176	(130,725)	0	(75,549)	-12.24%	0.00%	0.00%
7 DEFERRED C	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
8 TOTAL CAPITAL	<u>\$ 6,911,446</u>	<u>\$ (861,490)</u>	<u>\$ (5,432,706)</u>	<u>\$ 617,249</u>	<u>100.00%</u>		<u>15.15%</u>

<u>RANGE OF REASONABLENESS</u>	<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY	15.35%	17.35%
OVERALL RATE OF RETURN	14.36%	15.94%

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INDIANTOWN COMPANY, INC.
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED 12/31/94

SCHEDULE NO. 3-A
 DOCKET NO. 960011-WS

<u>DESCRIPTION</u>	<u>TEST YEAR PER BOOKS</u>	<u>STAFF ADJUSTMENTS</u>	<u>STAFF ADJUSTED TEST YEAR</u>	<u>REVENUE INCREASE</u>	<u>REVENUE REQUIREMENT</u>
1 OPERATING REVENUES	\$ 449,029	\$ 2,563	\$ 451,592	\$ (110,834)	\$ 340,758
OPERATING EXPENSES:				-24,542	
2 OPERATION AND MAINTENANCE	\$ 253,468	\$ (2,572)	\$ 250,896		\$ 250,896
3 DEPRECIATION	38,122	534	38,656		38,656
4 AMORTIZATION	(15,683)	426	(15,257)		(15,257)
5 TAXES OTHER THAN INCOME	45,304	115	45,420	(4,988)	40,432
6 INCOME TAXES	45,600	4,451	50,051	(40,830)	9,220
7 TOTAL OPERATING EXPENSES	\$ 366,811	\$ 2,954	\$ 369,765	\$ (45,818)	\$ 323,948
8 OPERATING INCOME	\$ 82,218	\$ (391)	\$ 81,826	\$ (65,016)	\$ 16,811
9 RATE BASE	\$ 116,986		\$ 105,458		\$ 105,458
RATE OF RETURN	70.28%		77.59%		15.94%

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INDIANTOWN COMPANY, INC.
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED 12/31/94

SCHEDULE NO. 3-B
 DOCKET NO. 960011-WS

<u>DESCRIPTION</u>	<u>TEST YEAR PER BOOKS</u>	<u>STAFF ADJUSTMENTS</u>	<u>STAFF ADJUSTED BALANCE</u>	<u>REVENUE INCREASE</u>	<u>REVENUE REQUIREMENT</u>
1 OPERATING REVENUES	\$ 502,022	\$ 626	\$ 502,648	\$ 0	\$ 502,648
OPERATING EXPENSES				0.00%	
2 OPERATION AND MAINTENANCE	\$ 312,859	\$ (2,765)	\$ 310,094		\$ 310,094
3 DEPRECIATION	62,323	(7,710)	54,613		54,613
4 AMORTIZATION	(22,913)	(376)	(23,289)		(23,289)
5 TAXES OTHER THAN INCOME	54,369	28	54,397	0	54,397
6 INCOME TAXES	<u>33,900</u>	<u>5,863</u>	<u>39,763</u>	<u>0</u>	<u>39,763</u>
7 TOTAL OPERATING EXPENSES	<u>\$ 440,538</u>	<u>\$ (4,960)</u>	<u>\$ 435,578</u>	<u>\$ 0</u>	<u>\$ 435,578</u>
8 OPERATING INCOME	<u>\$ 61,484</u>	<u>\$ 5,586</u>	<u>\$ 67,070</u>	<u>\$ 0</u>	<u>\$ 67,070</u>
9 RATE BASE	<u>\$ 719,700</u>		<u>\$ 511,792</u>		<u>\$ 511,792</u>
RATE OF RETURN	<u>8.58%</u>		<u>13.10%</u>		<u>13.10%</u>

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INDIANTOWN COMPANY, INC.
ADJUSTMENTS TO OPERATING STATEMENTS
TEST YEAR ENDED 12/31/94

SCHEDULE NO. 3-C
DOCKET NO. 960011-WS

<u>EXPLANATION</u>	<u>WATER</u>	<u>WASTEWATER</u>
STAFF ADJUSTMENTS:		
OPERATING REVENUES		
(1) Revenue Errors (Audit Exception No. 5)	\$ <u>2,563</u>	\$ <u>626</u>
OPERATION AND MAINTENANCE		
(1) Pensions and Benefits (Audit Exception No. 6)	\$ <u>(2,572)</u>	\$ <u>(2,765)</u>
DEPRECIATION		
(1) Plant Misclassification (Audit Exception No. 7)	\$ 588	\$ (588)
(2) Inventory Close Out (Audit Exception No. 8)	96	
(3) Non-Used and Useful Plant (Adjustment consistent with prior rate case)	<u>(150)</u>	<u>(7,122)</u>
Total Adjustment	\$ <u>534</u>	\$ <u>(7,710)</u>
AMORTIZATION		
(1) Staff Calculation of CIAC (audit Exception No. 2)	\$ <u>426</u>	\$ <u>(376)</u>
TAXES OTHER THAN INCOME TAXES		
(1) Regulatory assessment fees relating to audit adjustments	\$ <u>115</u>	\$ <u>28</u>
INCOME TAXES		
(1) Effect of Staff Adjustments	\$ <u>4,879</u>	\$ <u>5,491</u>

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INDIANTOWN COMPANY, INC.
 TEST YEAR ENDED 12/31/94

SCHEDULE NO. 4-A-1
 DOCKET NO. 960011-WS

WATER TREATMENT PLANT USED AND USEFUL CALCULATION

		<u>(2 + 4 + 5 - 6)</u>	
% USED AND USEFUL	=	1	= <u>84.25%</u>
(1)	Capacity of plant		<u>1,231,000</u> GPD
(2)	Maximum Daily Flow		<u>731,133</u> GPD
(3)	Average Daily Flow		<u>637,959</u> GPD
(4)	Fire flow capacity required		<u>240,000</u> Gal
	Fire flow available		<u>240,000</u> Gal
(5)	Margin Reserve (not to exceed 20% of present ERC's):		
	(a) Average number of unit connections	<u>1,913</u>	
	(b) Average yearly customer growth in unit connections for most recent 5 years	<u>115</u>	
	(c) Construction time for additional capacity (in months)	<u>18</u>	
	Margin Reserve = 5b x (5c/12) x (2/5a) =		<u>65,945</u> GPD
(6)	Excessive Unaccounted for water		<u>0</u> GPD
	(a) Total amount	<u>16,518</u> GPD	<u>2.60%</u> of Avg. Daily Flow
	(b) Reasonable amount	<u>63,796</u> GPD	<u>10.00%</u> of Avg. Daily Flow

DOCKET NO. 960011-WS
DATE: APRIL 4, 1996

INDIANTOWN COMPANY, INC.
TEST YEAR ENDED 12/31/94

SCHEDULE NO. 4-A-2
DOCKET NO. 960011-WS

WATER DISTRIBUTION SYSTEM USED AND USEFUL CALCULATION

‡ USED AND USEFUL =	$\frac{(2 + 3)}{1}$	= <u>57.66‡</u>
(1) Connection capacity of present distribution system		<u>3,517</u>
(2) Average number of connections to the system for the year . . .		<u>1,913</u>
(3) Margin Reserve (not to exceed 20‡ of present connections):		
(a) Average yearly customer growth for most recent 5 years (3.2‡ x (2))		<u>115</u>
(b) Construction time for additional capacity (in months)		<u>12</u>
Margin Reserve =	3a x (3b/12)	= <u>115</u>

DOCKET NO. 960011-WS
 DATE: APRIL 4, 1996

INDIANTOWN COMPANY, INC.
 TEST YEAR ENDED 12/31/94

SCHEDULE NO. 4-B-1
 DOCKET NO. 960011-WS

WASTEWATER TREATMENT PLANT USED AND USEFUL CALCULATION

‡ USED AND USEFUL = $\frac{(2 + 3 - 4)}{1}$ = 100.00%

(1)	Capacity of plant w/lgst clarifier out	<u>500,000</u>	GPD
(2)	Average Daily Flow	<u>461,000</u>	GPD
(3)	Margin Reserve (not to exceed 20% of present ERC's):		
	(a) Average number of customers in ERCs	<u>1,731</u>	
	(b) Average yearly customer growth in ERC's for most recent 5 years	<u>115</u>	
	(c) Construction time for additional capacity (in months)	<u>18</u>	
	Margin Reserve = 3b x (3c/12) x ((2)/3a) =	<u>45,940</u>	GPD
(4)	Excessive Infiltration	<u>0</u>	GPD
	(a) Total amount	<u>0</u> GPD	<u>0.00%</u> of Avg. Daily Flow
	(b) Reasonable amount	<u>0</u> GPD	<u>0.00%</u> of Avg. Daily Flow

DOCKET NO. 960011-WS
DATE: APRIL 4, 1996

INDIANTOWN COMPANY, INC.
TEST YEAR ENDED 12/31/94

SCHEDULE NO. 4-B-2
DOCKET NO. 960011-WS

WASTEWATER COLLECTION SYSTEM USED AND USEFUL CALCULATION

	$\frac{(2 + 3)}{1}$	$= \underline{50.77\%}$
(1)	Capacity of present collection system	<u>3,636</u>
(2)	Average number of connections to the system for the year . . .	<u>1,731</u>
(3)	Margin Reserve (not to exceed 20% of present ERC's):	
(a)	Average yearly customer growth for most recent 5 years (2.5% x (2))	<u>115</u>
(b)	Construction time for additional capacity (in months)	<u>12</u>
Margin Reserve =	3a x (3b/12)	= <u>115</u>

DOCKET NO. 960011-WS
DATE: APRIL 4, 1996

INDIANTOWN COMPANY
DOCKET NO. 960011-WS
TEST YEAR ENDED: DECEMBER 31, 1994

Schedule No. 5-A

RATE DECREASE SCHEDULE
Water

Monthly Rates

	Currently Approved Rates	Staff Recommended Rates
<u>Residential</u>		
Base Facility Charge (meter size):		
5/8"x3/4"	\$ 7.69	\$ 7.54
1"	\$ 19.24	\$ 18.86
1-1/2"	\$ 38.50	\$ 37.73
2"	\$ 61.59	\$ 60.36
Gallonage Charge, per 1,000 gallons:	\$ 1.10	\$ 1.08
<u>General Service</u>		
Base Facility Charge (meter size):		
5/8"x3/4"	\$ 7.69	\$ 7.54
1"	\$ 19.24	\$ 18.86
1-1/2"	\$ 38.50	\$ 37.73
2"	\$ 61.59	\$ 60.36
3"	\$115.47	\$113.16
4"	\$192.46	\$188.60
6"	\$384.95	\$377.22
8"	\$615.91	\$603.54
8" Turbo	\$692.91	\$679.00
Gallonage Charge, per 1,000 gallons:	\$ 1.10	\$ 1.08

DOCKET NO. 960011-WS
DATE: APRIL 4, 1996

INDIANTOWN COMPANY
DOCKET NO. 960011-WS
TEST YEAR ENDED: DECEMBER 31, 1994

Schedule No. 5-B

RATE DECREASE SCHEDULE

Water

Monthly Rates

	Currently Approved Rates	Staff Recommended Rates
<u>Fire Hydrants</u>		
Flat rate per Fire Hydrant paid yearly	\$ 78.50	\$ 76.93

Private Fire Protection Service

<u>Line Size</u>		
2"	\$ 20.53	\$ 20.12
3"	\$ 38.49	\$ 37.72
4"	\$ 64.15	\$ 62.87
6"	\$128.31	\$125.74
8"	\$205.30	\$201.18