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Public Service Commission

September 14, 2004

Mr. David B. Erwin
Attorney At Law
127 Riversink Road
Crawfordville, FL 32327

Re: Docket No. 040450-WS, Application for rate increase in Martin County by Indiantown Company, Inc.

Dear Mr. Erwin:

We have reviewed the minimum filing requirements (MFRs) submitted on August 18, 2004, on behalf of Indiantown Company, Inc. (Indiantown or utility). After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below:

1. Rule 25-30.431(3), Florida Administrative Code (FAC), requires the utility to submit its most recent wastewater capacity analysis report, if any, filed with DEP. Indiantown failed to include this item in its application.
2. Rule 25-30.431(6), FAC, requires the utility to submit all health department and DEP construction and operation permits. Indiantown failed to provide a copy of its Water Use Permit.

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Rule 25-30.437, FAC, requires that each utility applying for a rate increase shall provide the information required by Commission Form PSC/ERC 20 (11/93), entitled "Class B Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." Numbers 3 and 4 of the following list are deficiencies pursuant to this rule.

3. With regard to Schedules B-7 and B-8, Indiantown failed to include its pro forma adjustments in Column 4. As a result, the total difference between the prior test year operation and maintenance (O&M) expenses and the utility adjusted test year O&M expenses, including pro forma adjustments, is not reflected. When correcting these deficiencies, please note that the explanation for the difference should also be revised accordingly on these schedules.

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4. With regard to Schedule B-12, Indiantown is required to provide a detailed description of the method of allocation. For the A&G salaries, benefits, and payroll taxes, the utility indicated that 28% is non-utility and stated that the utility allocation was done based on equal effort (36% each for water and wastewater). Indiantown stated that administrative employees which provide service to utility and non-utility operations are shown on this schedule. The utility failed to adequately explain why it allocated 72% for utility operations and 28% for non-utility operations.
5. Rule 25-30.440(1)(a), FAC, requires the utility to provide a detailed map showing the location and size of the applicant's distribution and collection lines as well as its plant sites. The maps that the utility submitted did not reflect all of the information that is required by this rule. The utility failed to include: a) the size of its distribution and collection lines, and b) the location of each customer classification. Also, the print size on the map supplied is too small to read.
6. Rule 25-30.440(2), FAC, requires the utility to provide a list of chemicals used for water and wastewater treatment, by type, showing the dollar amount and quantity purchased, the unit prices paid and the dosage rates utilized. The utility failed to provide the dosage rate, the quantity purchased and the unit prices paid.
7. Rule 25-30.440(5), FAC, requires the utility to submit its most recent sanitary survey for each water plant and inspection report for each wastewater plant. The utility failed to provide a copy of its most recent water sanitary survey.
8. Rule 25-30.440(8), FAC, requires the utility to provide a list of the responsibilities of all field employees and give an explanation of how each employee's salary is allocated to the utility's capital or expense accounts. The utility failed to provide this data in its application.
9. Rule 25-30.440(9), FAC, requires the utility to explain how its vehicles are allocated to the utility. The utility failed to provide this data in its application.

The following items are numerous errors that staff believes the utility should correct.

10. The amount of accumulated deferred income taxes on Schedule A-18 in Column 3 of Line 25 should equal the total amount for Account No. 190.0001 reflected in Schedule C-6, Page 1 of 3, on Line 23.
11. The amount of accumulated deferred income taxes on Schedule A-19 in Column 3 of Line 28 should equal the total amount for Account No. 281.0001 reflected in Schedule C-6, Page 1 of 3, on Line 23.

12. The utility adjusted revenues on Schedule B-1 in Column 4 of Line 1 should equal the total revenue reflected on Schedule E-2, Page 1 of 2, in Column 5 of Line 35.
13. The utility adjusted revenues on Schedule B-2 in Column 4 of Line 1 should equal the total revenue reflected on Schedule E-2, Page 2 of 2, in Column 5 of Line 26.

Rule 25-30.110(2), FAC, states that “[t]he utility shall also furnish the Commission with any information concerning the utility’s facilities or operation that the Commission may request and require for determining rates or judging the practices of the utility.” This rule further states that “[a]ll such data, unless otherwise specified, shall be consistent with and reconcilable with the utility’s annual report to the Commission.” Thus, in accordance with this rule, the MFRs submitted pursuant to Rule 25-30.437, FAC, should match what is reflected in the annual report. Numbers 15-17 of the following list are not in compliance with Rule 25-30.110, FAC.

14. With regard to Schedule A-18, the balance of each asset account reflected on Column 3, Lines 7 through 17, 19, 23 and 25, do not match the balances for these accounts in the utility’s 2003 annual report.
15. With regard to Schedule A-19, the balance of each liability account reflected on Column 3, Lines 10, 12 through 14, 16, 17, 19, 21, 26 and 28, do not match the balances for these accounts in the utility’s 2003 annual report.
16. With regard to Schedule F-1, the utility reflected gallons sold greater than gallons pumped. To explain this, the utility added a note stating: “Gallons pumped are based on flow meter readings at the end of each month, while gallons for billing purposes are based on readings taken on the 19th of each month. ...” Staff believes this is a major error and the utility’s explanation is not sufficient to explain this anomaly. Also, staff notes that the total gallons pumped of 196,980,000 on Schedule F-1 does not reconcile to the total gallons pumped of 211,980,000 reflected in the utility’s 2003 annual report. When revising Schedule F-1, the utility should provide its calculation of how it interpolated the gallons sold from January 1st through 19th and December 20th through 31st and reconcile the difference in the gallons pumped from the MFRs and its 2003 annual report. Further, explain how it is possible to sell more gallons in one year than was pumped.
17. With regard to Schedule F-2, the utility reflected wastewater plant flows greater than the water gallons pumped on Schedule F-1 for the months of June through December. For instance, the utility stated that the total gallons of water pumped in August was 15,673,000 and that the total gallons of wastewater treated in the same month was 27,380,000. Based on those gallons, it would mean that the utility has infiltration and inflow (I&I) of 11,707,000 gallons for August. Since it is unlikely that the I&I would be so much for one month, staff believes that there must be an error in either the gallons of water pumped or the gallons of

Mr. Martin S. Friedman
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wastewater treated. Provide a comparison of the gallons of water sold to the gallons of wastewater treated by month and provided an explanation of why this has occurred.

18. If any above corrections require a corresponding change to any MFR schedules, those corrected schedules must also be submitted.

Your petition will not be deemed filed until the deficiencies identified in this letter have been corrected. These corrections should be submitted no later than October 14, 2004.

Sincerely

/ Timothy Devlin
Director

TD:bf

cc: Division of Commission Clerk and Administrative Services
Office of the General Counsel (Jaeger)
Division of Economic Regulation (Willis, Merchant, Edwards, Fletcher)