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November 10, 2004

Blanca Bayo, Division of Commission Clerk
& Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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In re: Application of Indiantown Company, Inc. for Increased Water
and Wastewater Rates in Martin County – Docket No. 040450-WS

Dear Ms. Bayo:

Enclosed is a draft of a "Rate Case Synopsis" for Indiantown Company, Inc.'s rate case. According to Rule 25-22.0407(4)(c), F. A. C., this synopsis must be approved by the Commission staff.

Please distribute this to the staff so that it can be reviewed prior to being distributed as required.

Sincerely,



David B. Erwin

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INDIANTOWN COMPANY, INC.

RATE CASE SYNOPSIS

DOCKET NO. 040450-WS

INDIANTOWN COMPANY, INC.
RATE CASE SYNOPSIS
DOCKET NO. 040450-WS

Index

ITEM	PAGE
I. Purpose	1
II. Comparison of Present and Proposed Final Rates	1
III. Comparison of Present and Proposed Interim Rates	4
IV. General Reasons for Rate Request	5
V. Major Rate Case Issues	5
VI. Description of the Ratemaking Process	5
Participants	5
Rate Case Requirements	6
PAA Procedures	6
Hearings	7
Completing the Rate Case	7
VII. Tentative Time Schedule	8
VIII. Location of MFRs for Review	8

I. Purpose

In accordance with the Florida Public Service Commission’s Rule 25-22.0407 regarding Notice of and Public Information on General Rate Increase Requests, a synopsis of the rate request must be prepared and distributed by Indiantown Company, Inc., in Martin County. The following information will provide the background on the rate request and the rate case process in general.

II. Comparison of the Present and Proposed Final Rates

On August 18, 2004, Indiantown Company, Inc. filed an application with the Florida Public Service Commission (“Commission”) for increased water and wastewater rates for its customers in Martin County. The application as assigned Docket No. 040450-WS and November 3, 2004 was established as the official date of filing.

The utility has requested a permanent water revenue increase of \$182,796 and a permanent wastewater revenue increase of \$332,370. The requested increases would produce annual revenues of \$2,010,837 for its operations. A schedule of the utility’s present rates and the proposed permanent rates which would produce these revenues follows:

SCHEDULE OF RATES:

WATER

<u>Class/Meter Size</u>	<u>Present Rates (1)</u>	<u>Proposed Final Rates</u>
<u>Residential</u>		
Base Facility Charge (monthly per meter)		
5/8" X 3/4"	\$ 10.45	\$ 14.88
1"	\$ 26.13	\$ 37.20
1 1/2"	\$ 52.27	\$ 74.40
2"	\$ 83.62	\$ 119.04
3"	\$156.80	\$ 223.20
4"	\$261.33	\$ 372.00
6"	\$522.65	\$ 744.00
8"	\$836.24	\$1,190.40
8" Turbo	\$929.61	\$1,339.20
Gallonage Charge per 1000 gallons	\$ 1.55	\$ 1.89

NOTE 1: Present rates per Authority No. WS-03-0113, effective February 1, 2004.

<u>Class/Meter Size</u>	<u>Present Rates (1)</u>	<u>Proposed Final Rates</u>
--------------------------------	---------------------------------	------------------------------------

General Service

Base Facility Charge (monthly per meter)

5/8" X 3/4"	\$ 10.45	\$ 14.88
1"	\$ 26.13	\$ 37.20
1 1/2"	\$ 52.27	\$ 74.40
2"	\$ 83.62	\$ 119.04
3"	\$156.80	\$ 223.20
4"	\$261.33	\$ 372.00
6"	\$522.65	\$ 744.00
8"	\$836.24	\$1,190.40
8" Turbo	\$929.61	\$1,339.20
 Gallorage Charge per 1000 gallons	 \$ 1.55	 \$ 1.89

Private Fire Protection Service

2"	\$ 6.98	\$ 9.92
3"	\$ 13.07	\$ 18.60
4"	\$ 21.78	\$ 31.00
6"	\$ 43.55	\$ 62.00
8"	\$ 69.69	\$ 99.20

Miscellaneous Service Charges

Present Rates Proposed Final Rates

	<u>Bus. Hrs.</u>	<u>After Hrs.</u>	<u>Bus. Hrs.</u>	<u>After Hrs.</u>
Initial Connection	\$15.00	\$15.00	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00	\$15.00	\$15.00
Violation Reconnection	\$15.00	\$15.00	\$15.00	\$15.00
Premises Visit	\$10.00	\$10.00	\$10.00	\$10.00

Note 1: Present rates per Authority No. WS-03-0113, effective February 1, 2004.

WASTEWATER

<u>Class/Meter Size</u>	<u>Present Rates (1)</u>	<u>Proposed Final Rates</u>
<u>Residential</u>		
All meter sizes	\$ 17.11	\$ 24.22
Gallonge Charge per 1000 gallons (6000 gallons maximum)	\$ 3.70	\$ 5.03
<u>General Service</u>		
5/8" X 3/4"	\$ 17.11	\$ 24.22
1"	\$ 42.78	\$ 60.55
1 1/2"	\$ 85.57	\$ 121.10
2"	\$ 136.91	\$ 193.76
3"	\$ 256.71	\$ 363.30
4"	\$ 427.85	\$ 605.50
6"	\$ 855.70	\$ 1,211.00
8"	\$1,368.06	\$ 1,937.60
8" Turbo	\$1,540.25	\$ 2,179.80
Gallonge Charge per 1000 gallons	\$ 4.44	\$ 5.91

<u>Miscellaneous Service Charges</u>	<u>Present Rates</u>		<u>Proposed Final Rates</u>	
	<u>Bus. Hrs.</u>	<u>After Hrs.</u>	<u>Bus. Hrs.</u>	<u>After Hrs.</u>
Initial Connection	\$15.00	\$15.00	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00	\$15.00	\$15.00
Violation Reconnection	Actual Cost	Actual Cost	Actual Cost	Actual Cost
Premises Visit	\$10.00	\$10.00	\$10.00	\$10.00

NOTE 1: Present rates per Authority No. WS-03-0113, effective February 1, 2004.

III. Comparison of the Present and Proposed Interim Rates

In addition to requesting an increase in its permanent final rates, Indiantown Company, Inc. has requested that the Commission approve interim rates, using the same test period as used for the permanent rate application. If approved, the interim rates are subject to being refunded, if the Commission finds that the Company was not entitled to collect such rates pending the final Commission decision. The company has requested approval to increase annual revenue on an interim basis in the water system in the amount of \$117,869 and in the wastewater system in the amount of \$236,018. If granted, such increases would be generated by the following rates:

WATER

<u>Class/Meter Size</u>	<u>Present Rates (1)</u>	<u>Proposed Interim Rates</u>
<u>Residential</u>		
Base Facility Charge (monthly per meter)		
5/8" X 3/4"	\$ 10.45	\$ 12.44
1"	\$ 26.13	\$ 31.11
1 1/2"	\$ 52.27	\$ 62.24
2"	\$ 83.62	\$ 99.56
3"	\$ 156.80	\$ 186.70
4"	\$ 261.33	\$ 311.15
6"	\$ 522.65	\$ 622.30
8"	\$ 836.24	\$ 995.68
8" Turbo	\$ 929.61	\$1,106.85
Gallage Charge per 1000 gallons	\$ 1.55	\$ 1.85

<u>Class/Meter Size</u>	<u>Present Rates (1)</u>	<u>Proposed Interim Rates</u>
<u>General Service</u>		
Base Facility Charge (monthly per meter)		
5/8" X 3/4"	\$ 10.45	\$ 12.44
1"	\$ 26.13	\$ 31.11
1 1/2"	\$ 52.27	\$ 62.24
2"	\$ 83.62	\$ 99.56
3"	\$ 156.80	\$ 186.70
4"	\$ 261.33	\$ 311.15
6"	\$ 522.65	\$ 622.30
8"	\$ 836.24	\$ 995.68
8" Turbo	\$ 929.61	\$ 1,106.85
Gallage Charge per 1000 gallons	\$ 1.55	\$ 1.85

NOTE 1: Present per Authority No. WS-03-0113, effective February 1, 2004.

Private Fire Protection Service

2"	\$ 6.98	\$ 8.31
3"	\$ 13.07	\$ 15.56
4"	\$ 21.78	\$ 25.93
6"	\$ 43.55	\$ 51.85
8"	\$ 69.69	\$ 82.98

IV. General Reasons for Rate Request

Indiantown Company, Inc. requires a rate increase because the existing rates are insufficient to provide any return on the utility's investment in property used and useful in the public service. The last general rate increase of Indiantown Company, Inc. was effective October 27, 2000, in Docket N. 990939-WS. Since then the company has annually sought and obtained increases through the Commission's price indexing procedure, although none have been sought for 2003 expenses.

The Company believes that miscellaneous service charges are adequate, and no change is requested for such charges.

The overall rate of return requested is 8.97% to establish permanent rates and 8.26% to establish interim rates. The rate of return on equity (ROE) for each calculation is 9.39% and 8.46%, respectively.

V. Major Rate Case Issues

It is impossible to anticipate all the issues that may develop during a rate case; however, the following issues are anticipated to be the major areas considered:

1. What is the quality of service provided by the Company?
2. What is the test year rate base and how much of the company's property is used and useful in serving the public?
3. What is the test year net operating income?
4. What is the test year cost of capital?
5. What is the test year revenue requirement?
6. What rates will recover the revenue authorized to be collected?

VI. Description of the Ratemaking Process

Participants

Many people are involved in a utility rate case. The following is a list of some of the main participants:

1. The Florida Public Service Commission is composed of five **Commissioners** appointed by the Governor. All five will sit on this rate case. The Commissioners will make final decisions on all of the issues in the case.

2. The Commissioners are assisted by a **Commission Staff**, including attorneys, engineers, accountants, consumer affairs specialists and rate and financial analysts.
3. The **Public Counsel** is appointed by the Legislature to represent the citizens in rate cases before the Commission. Public Counsel also has a staff of attorneys, accountants, rate and financial analysts. The Public Counsel may monitor the case or may actually participate.
4. The **Utility Company's** officers and staff personnel may testify about the utility, its operation, revenue and expenses. The company may also employ outside consultants as expert witnesses and an attorney or other specialists to assist them with the rate case. The accountants, rate analysts and engineers compile information in support of the rate increase request and testify at hearings.
5. **Intervenors** representing organizations, local governments, consumer groups, and commercial organizations may participate. An intervenor is a party who legally intervenes in the rate case through petition to the Commission to represent a specific interest or point of view in the rate case. The intervenor has equal opportunity with other parties in the case to ask questions, present testimony, and cross examine witnesses. Individual customers will not usually be granted intervenor status.

Rate Case Requirements

The case actually begins when the utility writes a letter to the Public Service Commission asking for approval of a "test year," which is the 12-month period for which utility operating data will be examined for a rate case. The data may be compared to results of previous years and adjusted for known changes after the test period.

The letter signals that the utility is about to ask for a rate increase. The rate case process takes approximately five to twelve months to complete.

After the utility's "test year" is approved by the Chairman of the Commission, the utility files its request for a rate increase, and it files minimum filing requirements (MFRs), which include information on the utility's expenses, investments and operations during the test year. The utility will also be requested to file additional information before the case is over.

The data provides information about the operations of the company, supplies and expenses, taxes, construction, depreciation and all of the operating and financial matters that are crucial to a decision. Among the things the Commission looks for are expenditures that could be considered unnecessary or improper. Expenditures of this kind are disallowed for ratemaking purposes.

PAA Procedures

Indiantown Company, Inc. has asked that its application be processed using the Commission's Proposed Agency Action (PAA) procedure.

Under this procedure, the Commission staff holds a customer meeting in the utility's service territory to obtain information from the customers on the utility's service and other issues regarding the requested rate increase. After the Commission auditors have completed their audit and the Commission staff has reviewed the information filed by the utility and presented at the

customer meeting, the staff makes a recommendation to the Commission as to the amount of rate increase that the utility should be granted. This recommendation is presented to the Commission at a public agenda conference in Tallahassee at which the commissioners consider the staff recommendation and vote on each issue identified by the staff.

The Commission attorneys then prepare a formal order containing the Commission's proposed action, including the new rates and when they will be effective. Substantially affected persons have 21 days after this written order is issued to decide whether to accept the Commission's decision or to request a formal hearing.

If no party protests the order, the commission's decision becomes final, the new rates go into effect and the docket is closed. If the order is properly protested, however, there will be a hearing before any increase can be approved.

Hearings

If any substantially affected party objects to the Commission's proposed rate increase and requests a formal hearing, then the Commission schedules public hearings on the rate request. These hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination, and the final decision must be based upon information presented to the Commission during the hearings.

The Commission schedules service hearings to obtain information from customers regarding their water service and technical hearings to conduct a detailed evaluation of all technical, legal and financial issues in the case. These hearings are scheduled in the local service area for the customers' convenience. At this time, customer testimony is given regarding quality of service. The customers also may testify about rates and charges they consider improper or unfairly discriminatory.

The Public Counsel provides legal representation for consumers in matters before the Commission. The Public Counsel participates in major rate cases, has access to all the information filed by the utility, assists members of the public who wish to testify and may even provide expert witnesses on various issues in the case.

Witnesses from the utility, the Commission staff, the Public Counsel and intervenors present testimony and are cross-examined. There are official transcripts of all hearings. Court Reporters record the hearings, just as they do in a courtroom.

Completing the Rate Case

After hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each party's position on the issues.

The Commission staff then makes recommendations to the Commissioners on each issue of the case.

When the Commission makes its final decisions there will be a “vote sheet” which is a listing of all the issues requiring a vote by the Commissioners. There are many issues in a major water or wastewater rate case, and it sometimes takes the Commissioners several hours to complete the final review of the case and to vote on each issue based on the evidence in the record.

Commission attorneys prepare a formal order containing the background of the case, the Commission decisions and the basis for the decisions, the new rates, and when they will be effective.

After the Commission’s order is issued, any party may ask the Commission to reconsider any decision on the issues. After reconsideration, the Public Counsel, the utility or any other party may appeal the Commission’s decision to the courts.

VII. Indiantown Company, Inc.’s Tentative Time Schedule

The following tentative schedule was established by the Commission for the remaining major events in Indiantown company’s rate case:

<u>Schedule Item</u>	<u>Due Date</u>
Staff Recommendation on Interim Rates	November 23, 2004
Agenda Conference on Interim Rates	December 7, 2004
Order on Interim Rates	December 27, 2004
Staff Audit Report due	December 23, 2004
Staff Recommendation due on Proposed Agency Action	March 17, 2005
Agenda Conference on Final Rates	March 29, 2005
PAA Order	April 18, 2005
Protest Filed or Docket Closed	May 9, 2005

VII. Location of MFRs for Review

All of the information on file at the Commission is open to the public and is available for review at the Commission offices in Tallahassee. The minimum filing requirements (MFRs) filed by the utility are also available for inspection at the local telephone company’s office, where better facilities are available to review the application than at the water treatment plant office.

ITS Telecommunications Systems
15925 S. W. Warfield Boulevard
Indiantown, Florida 34956
Telephone: 561.597.3129

Customer comments concerning Indiantown Company, Inc.'s utility service and its request for an increase in rates should be sent to the Commission and the Company at the following addresses:

Florida Public Service Commission
Director, Division of Commission Clerk
& Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Indiantown Company, Inc.
Attn: Jeff Leslie
P. O. Box 397
Indiantown, Florida 34959

Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following phone number 1-800-342-3552.

All comments should include reference to Commission Docket No. 040450-WS which has been assigned to this case.