

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation of Rates) DOCKET NO. 960011-WS
of Indiantown Company, Inc., in) ORDER NO. PSC-96-0657-FOF-WS
Martin County for Possible) ISSUED: May 10, 1996
Overearnings)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION ORDER
ESTABLISHING RATE BASE FOR 1994,
REQUIRING REFUNDS AND REVISING RATES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

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 utility's 1994 annual report, we began an informal investigation into potential overearnings. An audit of the utility's books showed that the utility appeared to be earning an overall rate of return of 75.08% for its water system.

We last determined Indiantown's rates and charges in Order No. 11891, issued on April 27, 1983, in Docket No. 810037-WS. In that order, we set rate base and authorized a return on equity (ROE) of 16.35%. The utility was granted index and pass-through increases in the years 1986 through 1994.

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

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

In Order No. PSC-96-0169-FOF-WS, issued on February 6, 1996, we initiated an investigation of the utility's 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 ordered that by no later than the twentieth day of each month, Indiantown 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.

RATE BASE

As noted above, the utility appeared to be earning in excess of its authorized return on equity and therefore it was necessary to establish 1994 rate base to determine the extent of overearnings. 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. Our calculations of the appropriate rate bases for the purpose of this proceeding are depicted on Schedule No. 1A for water, and on Schedule No. 1B for wastewater. Our adjustments for both are itemized on Schedule No. 1C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Contributions-in-aid-of-construction (CIAC)

Our 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. Because the cash receipts and old general ledgers were not available, the accuracy of the ledger amounts could not be determined. Based on computations made by our staff, we have increased CIAC for the water system by \$48,697 and decreased CIAC for the wastewater system by \$42,984. We have increased accumulated amortization of CIAC for the water system by \$17,044 and decreased accumulated amortization of CIAC for the wastewater system by \$15,044. We have increased amortization of CIAC for water system by \$425 and decreased amortization of CIAC for the wastewater system by \$376.

Rines Market CIAC

In December 1994, Rines Market sold water and wastewater lines to the utility for \$10. The utility then recorded water lines in the amount of \$18,332, water system CIAC in the amount of \$14,202, wastewater lines in the amount of \$2,372 and wastewater system CIAC in the amount of \$6,790. To show the lines at cost and CIAC at cost less the \$10 paid, we have increased water plant and CIAC by \$4,130, and decreased wastewater plant and CIAC by \$4,418. We have increased accumulated amortization of CIAC for the water system by \$26 and decreased accumulated amortization of CIAC for the wastewater system by \$28. Amortization of CIAC is not materially affected.

Plant Misclassification

The utility's contract with Olen Edwards for the West Farms Road Water and Sewer Mains in 1993 showed water assets in the amount of \$126,505 and wastewater assets in the amount of \$79,480. The utility recorded \$102,993 each for the water and wastewater systems for these assets. We have increased water plant by \$23,513 and decreased wastewater plant by the same amount. We have increased accumulated depreciation by \$441 for the water system and decreased accumulated depreciation for the wastewater system by the same amount. We have increased depreciation expense by \$588 for the water system and decreased depreciation expense for the wastewater system by the same amount.

Inventory Close Out

The utility charged \$3,859 to inventory, which was actually water meters. We have capitalized the meters, increasing water system plant and reducing the allowance for working capital by \$3,859. We have also recognized the 1994 inventory true-up, which was not included in the test year by removing \$400 from materials and supplies in the allowance for working capital, treating it as water expense.

Revenue Errors and Pensions and Benefits

We have increased the allowance for working capital by \$2,563 for the water system and \$626 for the wastewater system for revenue errors. We have decreased the allowance for working capital by \$2,572 for the water system and \$2,765 for the wastewater system for pensions and benefits.

Non-Used and Useful Plant

We have determined the following used and useful percentages utilizing standard formulas applied in rate case proceedings:

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

We have decreased water treatment plant by \$6,390 and accumulated depreciation by \$2,709, decreasing water system rate base by \$3,681 net. We have decreased wastewater treatment plant by \$283,720 and accumulated depreciation by \$98,877, decreasing wastewater system rate base by \$184,843 net. We have decreased depreciation expense by \$150 for the water system and by \$7,122 for the wastewater system.

Based on the foregoing, we find that the appropriate 1994 rate base balances for rate setting purposes are \$105,458 for water and \$511,792 for wastewater.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is depicted on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order.

The utility's capital structure for 1994 is a thirteen-month average balance. On the basis of the foregoing adjustments to rate base and the utility's last authorized ROE, we have determined that the weighted cost of capital is 15.15%.

OPERATING INCOME

Indiantown's 1994 annual report shows its achieved 1994 net operating income is \$82,218 for the water system and \$61,484 for the wastewater system. Our calculations of net operating income are depicted on Schedule No. 3A for water and on Schedule No. 3B

for wastewater. Our adjustments are itemized on Schedule No. 3C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Revenue Errors

We have recalculated revenue using the number of customers and gallonages 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/Francisco 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, debiting miscellaneous sales and crediting 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, the utility made two other adjustments, totaling \$368, to wastewater commercial revenues that were for corrections to accounts receivables, not revenues. The utility also billed fire hydrant revenues in December at the old tariff rate. The difference between the old rate and the new rate is \$187.

The utility's contract with Bechtel includes guaranteed revenues. It could not be determined that any revenues were received or recorded. While the utility will be receiving effluent revenues, none have been received to date.

We have increased water revenues by \$2,376 and fire hydrant revenues by \$187, \$2,563 in total. We have increased wastewater revenue by \$258 and wastewater commercial revenue by \$368, \$626 in total.

Pensions and Benefits Expense

The utility charged \$28,700 of pensions and benefits expense to water and \$33,219 to wastewater. This included an accrual for pension since it did not have the total amount from the actuary at that time. The total amount determined by the actuary for employee insurance booked in 1994 was \$118,577. The utility's pension expense was \$25,618, per the actuary. The total amount of pensions and benefits expense was \$144,195. Based on the payroll allocation rate, we have decreased water employee benefits by \$2,572 and

wastewater employee benefits by \$2,765. We have increased the allowance for working capital by \$5,337.

Taxes

We have increased the regulatory assessment fee by \$115 for the water system and by \$28 for the wastewater system based on the foregoing adjustments to revenues. We have increased income taxes by \$5,256 for the water system and by \$7,383 for the wastewater system for the same reason.

Summary

The utility's reported revenue for 1994 is \$449,029 for the water system and \$502,022 for the wastewater system. Operating expenses for the water system are \$366,811 and \$440,538 for the wastewater system, resulting in net operating income of \$82,218 for the water system and \$61,484 for the wastewater system.

We have increased water revenue by \$2,563 and water operating expenses by \$2,954, resulting in net operating income for the water system of \$81,826. We have increased wastewater revenue by \$626 and decreased wastewater operating expenses by \$4,843, resulting in net operating income for the wastewater system of \$66,953.

We find that the utility's revenue requirement for its water system is \$340,758. 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.

REFUND REQUIREMENT

For service rendered after May 13, 1994, Indiantown implemented a water and a wastewater price index to represent anticipated increases in operating expenses. 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, we may order a utility to refund, with interest, a price index if, within 15 months after the filing of a utility's annual report, we find 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, is the fifteen-month expiration date of the Commission's authorized term for ordering refunds of the 1994 price index adjustment.

Based upon an average test year for 1994, and appropriate adjustments thereto, Indiantown earned a 77.59% return on water rate base. The corresponding return on equity investment was 50.77%. With the 17.35% limit on equity earnings, the associated overall cost of capital for 1994 was 15.94%. Thus, we find it appropriate that the index adjustment collected in 1994 for the water system, be refunded with interest. We find that the 1994 price index contributed to overearnings in 1994 for the water system. These refunds are less than the amount of earnings in excess of the maximum return on equity investment of 17.35%. Only the portion of revenues attributable to the index is subject to refund.

We further find that the portion of revenues collected in 1995 and 1996 attributable to the 1994 price index adjustment shall be refunded with interest. The utility collected revenues attributable to the 1994 price index adjustment of \$13,538 from July 1994, when the utility actually implemented the indexed rates, to February 1996. We find it appropriate to extend the period subject to refunds to June 1996. We project collections through June 1996 of \$15,718. With interest calculated in accordance with Rule 25-30.360 (4), Florida Administrative Code, for the period from June 1994 to June 1996 of \$871, the refunds in total that the utility shall be required to make amount to \$16,589. The utility shall submit the proper refunds reports pursuant to Rule 25-30.360(7), Florida Administrative Code. The utility shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

We find it appropriate to order the utility to decrease water service rates as shown in Schedules Nos. 4A and 4B to those which were in effect prior to the 1994 price index adjustment and to file revised tariff sheets and a proposed customer notice reflecting the appropriate rates and the reason for reduction. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets. The utility shall not implement the approved rates until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within ten days after the date of the notice.

The wastewater system is earning within its authorized ROE range and, thus, we find that no further action is necessary.

DOCKET STATUS

This docket shall remain open for purposes of administering the refunds and in order to complete the overearnings investigation.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Indiantown Company Inc., shall refund to its customers that portion of its revenues attributable to the 1994 price index adjustment as herein set forth. It is further

ORDERED that Indiantown Company, Inc. shall submit the refund reports in accordance with Rule 25-30.360(7), Florida Administrative Code. It is further

ORDERED that Indiantown Company, Inc. shall treat any unclaimed refunds as contributions-in-aid-of-construction pursuant to Rule 25-30.360(8), Florida Administrative Code. It is further

ORDERED that Indiantown Company Inc., shall revise its rates as herein set forth. It is further

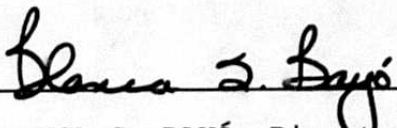
ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets. It is further

ORDERED that Indiantown Company, Inc. shall provide proof of the date the notice was given within ten days of the date of the notice. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that this docket shall remain open.

By ORDER of the Florida Public Service Commission, this 10th
day of May, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

CJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 31, 1996.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

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If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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>COMMISSION ADJUSTMENTS</u>	<u>COMMISSION 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>

INDIANTOWN COMPANY, INC. SCHEDULE OF WATER RATE BASE TEST YEAR ENDED 12/31/94			SCHEDULE NO. 1-B
COMPONENT	TEST YEAR PER BOOKS	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
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>

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

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>	
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>	
Total Adjustment	<u>\$ (3,125)</u>	<u>\$ (2,139)</u>

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

<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>LOW</u>	<u>HIGH</u>
						15.35%	17.35%
						14.36%	15.94%

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

SCHEDULE NO. 3-A

DESCRIPTION	TEST YEAR PER BOOKS	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	<u>\$ 449,029</u>	<u>\$ 2,563</u>	<u>\$ 451,592</u>	<u>\$ (110,834)</u>	<u>\$ 340,758</u>
OPERATING EXPENSE:				-24.54%	
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	<u>45,600</u>	<u>4,451</u>	<u>50,051</u>	<u>(40,830)</u>	<u>9,220</u>
7 TOTAL OPERATING EXPENSES	<u>\$ 366,811</u>	<u>\$ 2,954</u>	<u>\$ 369,765</u>	<u>\$ (45,818)</u>	<u>\$ 323,948</u>
8 OPERATING INCOME	<u>\$ 82,218</u>	<u>\$ (391)</u>	<u>\$ 81,826</u>	<u>\$ (\$65,016)</u>	<u>\$ 16,811</u>
9 RATE BASE	<u>\$ 116,986</u>		<u>\$ 105,458</u>		<u>\$ 105,458</u>
RATE OF RETURN	<u>70.28%</u>		<u>77.59%</u>		<u>15.94%</u>

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

SCHEDULE NO. 3-B

DESCRIPTION	TEST YEAR PER BOOKS	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 502,022	\$ 626	\$ 502,648	\$ 0	\$ 502,648
OPERATING EXPENSE:				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	33,900	5,863	39,763	0	39,763
7 TOTAL OPERATING EXPENSES	\$ 440,538	\$ (4,960)	\$ 369,765	\$ (45,818)	\$ 323,948
8 OPERATING INCOME	\$ 61,484	\$ 5,586	\$ 81,826	\$ (\$65,016)	\$ 16,811
9 RATE BASE	\$ 719,700		\$ 105,458		\$ 105,458
RATE OF RETURN	8.58%		77.59%		15.94%

INDIANTOWN COMPANY, INC.		SCHEDULE NO. 3-C	
ADJUSTMENTS TO OPERATING STATEMENTS			
TEST YEAR ENDED 12/31/94			
<u>EXPLANATION</u>	<u>WATER</u>	<u>WASTEWATER</u>	
STAFF ADJUSTMENTS:			
OPERATING REVENUES			
(1) Revenue Errors (Audit Exception No. 5)	\$ 2,563	\$ 626	
OPERATION AND MAINTENANCE			
(1) Pensions and Benefits (Audit Exception No. 6)	\$ (2,572)	\$ (2,765)	
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	(150)	(7,122)	
(Adjustment consistent with prior rate case)			
Total Adjustment	\$ 534	\$ (7,710)	
AMORTIZATION			
(1) Staff Calculation of CIAC (Audit Exception No. 2)	\$ 426	\$ (376)	
TAXES OTHER THAN INCOME TAXES			
(1) Regulatory assessment fees relating to audit adjustments	\$ 115	\$ 28	
INCOME TAXES			
(1) Effect of Staff Adjustments	\$ 4,879	\$ 5,491	

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

SCHEDULE NO. 4-A-1

WATER TREATMENT PLANT USED AND USEFUL CALCULATION

$\% \text{ USED AND USEFUL} = \frac{(2 + 4 + 5 - 6)}{1} = 84.25\%$		
(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 = $5b \times (5c/12) \times (2/5a)$ =	<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

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

SCHEDULE NO. 4-A-2

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>

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

SCHEDULE NO. 4-B-1

WASTEWATER TREATMENT PLANT USED AND USEFUL CALCULATION

$\% \text{ USED AND USEFUL} = \frac{(2 + 3 - 6)}{1} = 100.00\%$	
(1) Capacity of plant	<u>500,000</u> GPD
(2) Maximum Daily Flow	<u>461,000</u> GPD
(3) Average Daily Flow	<u>637,959</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 ERCs for most recent 5 years	<u>115</u>
(c) Construction time for additional capacity (in months)	<u>18</u>
Margin Reserve = $3b \times (3c/12) \times ((2)/3a)$	<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

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

SCHEDULE NO. 4-B-2

WASTEWATER DISTRIBUTION SYSTEM USED AND USEFUL CALCULATION

% USED AND USEFUL =	$\frac{(2 + 3)}{1}$	= <u>50.77%</u>
(1) Capacity of present distribution 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 connections):		
(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>

INDIANTOWN COMPANY
 TEST YEAR ENDED: DECEMBER 31, 1994

Schedule No. 5-A

RATE DECREASE SCHEDULE
 Water

Monthly Rates

	<u>Currently Approved Rates</u>	<u>COMMISSION Approved Rates</u>
<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
Gallorage 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
Gallorage Charge, per 1,000 gallons:	\$ 1.10	\$ 1.08

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Schedule No. 5-B

INDIANTOWN COMPANY
TEST YEAR ENDED: DECEMBER 31, 1994

RATE DECREASE SCHEDULE
Water

Monthly Rates

	<u>Currently Approved Rates</u>	<u>COMMISSION Approved Rates</u>
<u>Fire Hydrants</u>		
Flat rate per Fire Hydrant paid Yearly	\$ 78.50	\$ 76.93
<u>Private Fire Protection Service</u>		
<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