

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate  
increase in Martin County by  
Indiantown Company, Inc.

DOCKET NO. 990939-WS  
ORDER NO. PSC-00-0912-PCO-WS  
ISSUED: May 8, 2000

The following Commissioners participated in the disposition of  
this matter:

JOE GARCIA, Chairman  
J. TERRY DEASON  
SUSAN F. CLARK  
E. LEON JACOBS, JR.  
LILA A. JABER

ORDER SUSPENDING PROPOSED FINAL RATES AND  
GRANTING INTERIM RATES SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Indiantown Company, Inc. (Indiantown or utility), a wholly-owned subsidiary of Postco, Inc., is a Class B utility providing water and wastewater service to approximately 1,677 water and 1,585 wastewater customers in Martin County. The utility is located in a region which has not been designated as a critical water use area. Water and wastewater rates were last established for this utility by Order No. 11891, issued April 27, 1983, in Docket No. 810037-WS. We revisited the utility's rates in Docket No. 960011-WS, an investigation for possible overearnings, culminating in Order No. PSC-96-0657-FOF-WS, issued May 10, 1996. In that Order, we established rate base as of 1994, required a refund of the 1994 Water Price Index Adjustment and reduced rates to remove the 1994 Water Price Index.

By Order No. PSC-95-1328-FOF-WS, issued November 1, 1995, in Docket No. 950371-WS, we authorized 10.43% as the midpoint of Indiantown's return on equity (ROE) for all regulatory purposes effective November 1, 1995.

On December 27, 1999, Indiantown filed this Application for Rate Increase. Our staff found several deficiencies in the Minimum

DOCUMENT NUMBER-DATE

05719 MAY-88

FPSC-RECORDS/REPORTING

Filing Requirements (MFRs). These deficiencies were corrected, and March 7, 2000 was established as the official filing date. The utility requested that this application be processed using the Proposed Agency Action (PAA) procedure, and requested interim rates. The test year established for interim and final rates is the historical twelve-month period ended June 30, 1999. Indiantown requests interim rates designed to generate annual water revenues of \$584,028 and wastewater revenues of \$750,576. This represents a revenue increase of \$75,076 (14.75%) for water and \$190,679 (34.06%) for wastewater. The requested final rates are designed to generate annual water revenues of \$697,224 and wastewater revenues of \$1,023,257. This represents a revenue increase of \$188,272 (36.99%) for water and \$463,360 (82.76%) for wastewater.

#### SUSPENSION OF FINAL RATES

Section 367.081(6), Florida Statutes, provides that the final rates proposed by the utility shall become effective within sixty days after filing unless we vote to withhold consent to implementation of the requested rates. Further, Section 367.081(8), Florida Statutes, permits the proposed final rates to go into effect, secured and subject to refund, at the expiration of five months if we have not acted upon the requested rate increase; or if PAA action is protested by a party other than the utility.

We have reviewed the filing and have considered the proposed final rates, the revenues thereby generated, and the information filed in support of the rate application. We find that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination will include on-site investigations by our staff accountants and engineers. Based on the foregoing, we suspend the utility's proposed final rate increase.

#### INTERIM RATES

As reflected in its MFRs, Indiantown requests interim rates designed to generate annual water revenues of \$584,028 and wastewater revenues of \$750,576. This represents a revenue increase of \$75,076 (14.75%) for water and \$190,679 (34.06%) for wastewater. The requested test year for interim is the historical year ended June 30, 1999. The utility filed rate base, cost of capital, and operating statements to support its requested water and wastewater increase.

Section 367.082(5)(b)(1), Florida Statutes, requires us to consider appropriate adjustments consistent with those which were used in the most recent individual rate proceeding. We have reviewed the utility's interim request, as well as the prior rate proceeding orders, and we find it appropriate to make adjustments as discussed below. Further, we find it appropriate to increase Indiantown's rates on an interim basis as set forth below and in the schedules attached hereto, which are incorporated herein by reference.

#### RATE BASE

##### Land

The utility has not included any land in its interim rate base. In the MFRs, the utility states that there have been no new purchases of land since the last rate proceeding. After review of the annual reports and prior rate proceedings, we have determined that it was an error not to include the land and we have corrected the utility's interim rate base to reflect the land that is present in all of these documents. We find it appropriate that water rate base be increased by \$5,319 and wastewater rate base be increased by \$383 to reflect utility land.

##### Used and Useful Property

After reviewing the last rate case, the MFR's filed for this case, and applying the used and useful methodology from the last case with current values, we find the following used and useful percentages for interim rates: (1) Water Plant - 100%; (2) Water Distribution System - 69.4%; (3) Wastewater Plant - 68.9%; and (4) Wastewater Collection System - 48.3%.

The utility's used and useful percentage requested for interim purposes was 100% for the water treatment plant and 63% for the wastewater treatment plant. In its calculation, the utility did not include a margin reserve. In the last rate proceeding, Docket No. 960011-WS, the water and wastewater plants were 100% used and useful based upon an 18-month margin reserve and average flows compared to capacity. The permitted capacity for the wastewater treatment plant did not indicate a specific time period. Consequently, maximum month flows were used. Since that case, Indiantown has expanded the capacity of the wastewater plant; therefore, our calculation of the used and useful for that plant has decreased to 68.9%, again using maximum month flows and an 18-

month margin reserve. Consistent with the last rate proceeding, we have included a margin reserve for interim purposes. Based on our calculation, we agree with the utility that the water treatment plant is 100% used and useful.

Other significant differences between the previous case and this current case were the used and useful determinations for the water distribution and wastewater collection systems. In the previous case, we used lots served compared to lots available to obtain a 50.8% used and useful for the collection system and a 57.7% used and useful for the distribution system. In its current MFRs, Indiantown is claiming both are 100% used and useful. However, its MFRs indicate fewer wastewater connections now than it had in the previous case. Using the methodology used in the last rate proceeding, we have calculated used and useful percentages of 69.4% and 48.3% for water and wastewater, respectively.

Based on the above, our net used and useful adjustment is \$191,849 for water and \$247,691 for wastewater. Our calculations for used and useful result in a decrease in water rate base by \$191,849 and an increase in wastewater rate base by \$33,570.

Based on our adjustment described above, rate base is \$285,434 for water and \$666,668 for wastewater as shown on Schedules Nos. 1-A, 1-B and 1-C.

#### COST OF CAPITAL

##### Capital Structure

In Order No. PSC-97-1171-FOF-WS, issued October 1, 1997, we approved name changes, transfer of assets and majority organizational control relating to Indiantown and related entities. The water and wastewater operations were transferred to a new entity, Postco, Inc., in a tax-free stock transaction under IRS Code Section 351. No changes in book value for water and wastewater operations resulted from this transfer. The end result of this reorganization was that the water, wastewater and a small refuse operations are the only businesses contained in the new Indiantown. The telephone and competitive local exchange company, which formerly were subsidiaries of Indiantown, are now in separate companies also subsidiaries of Postco, Inc. In the most recent rate proceeding, we used the capital structure of Indiantown, then the parent, to determine rate of return for the water and wastewater operations. In this application, the utility has used

Indiantown's own capital structure (the utility subsidiary) to determine interim and final rates in this proceeding.

The utility has removed the long-term debt and deferred taxes for the refuse operation. This is consistent with the last two rate proceedings. The utility then reduced equity and deferred taxes pro rata to reconcile the capital to rate base, believing that it had effectively removed all other non-utility assets. We find that this pro rata reconciliation is an error, in that deferred taxes related to used and useful utility assets should be included in the utility capital structure at full cost. We find that only specific adjustments for non-utility assets or corrections of errors are appropriate adjustments to deferred taxes and deferred taxes should not be prorated. After specific adjustments have been made, only the investor sources of capital, which is only common equity in this case, shall be adjusted in a pro rata reconciliation. Therefore, the utility adjustment to prorate deferred taxes are disallowed. Further, only specific adjustments to deferred taxes were made in the utility's last rate proceeding.

Upon further review of the utility's deferred taxes in its MFRs, we find that the utility has made two errors in its deferred tax balance. Schedule B-3(a) shows that \$55,007 in engineering, legal and painting expenses were adjusted to show deferment to future periods for rate setting purposes. This would result in prepaid taxes of \$20,699 and would reduce the deferred taxes shown above. The utility has not shown this in its MFRs. We find it appropriate to correct this error by increasing deferred taxes by \$20,699.

The used and useful adjustment made by the utility and corrected herein has \$36,879 in deferred taxes associated with it which should be removed. The utility failed to make this adjustment in its MFRs.

Based on the above adjustments, we find it appropriate that deferred taxes be shown at \$399,262 for the test year after the reconciling adjustment.

#### Cost of Equity

The utility has used the mid-point of the current leverage formula to determine the cost of equity. For interim purposes, its requested return on equity is 9.03%. In Order No. PSC-95-1328-FOF-

WS, we established the return on equity for Indiantown at 10.43% for regulatory purposes, with a range of 9.43% to 11.43%. Section 367.082(5)(b), Florida Statutes, requires that the cost of capital shall be determined using the minimum of the range of the last authorized rate of return on equity of the utility. We have used the minimum amount authorized in Order No. PSC-95-1328-FOF-WS, 9.43%, as the cost of equity to determine the required return on investment for interim purposes.

Schedule No. 2 shows our approved capital structure and costs as adjusted. The overall weighted cost of capital is 5.31% with a range of 5.31% to 6.37%.

#### NET OPERATING INCOME

##### Operating Revenue

We have removed the utility's requested interim increase to show the achieved return based on actual test year revenue.

Section 367.082(5)(b)(1), Florida Statutes, states that the achieved rate of return is to be calculated by applying appropriate adjustments and annualizing any rate changes occurring during the interim test year (emphasis added). For purposes of the interim application, Indiantown chose the test year ending June 30, 1999. In September 1999, the utility implemented a price index. Indiantown annualized \$22,082 in water revenue and \$15,798 in wastewater revenue associated with this price index and included them in test year revenue as an adjustment. We have reviewed this adjustment and find it to be in conflict with Section 367.082(5)(b)(1), Florida Statutes. Because the price index was implemented after the interim test year, the annualized revenues shall be removed from test year revenues. We correct test year revenue by removing the utility's annualization adjustment to show the test year revenue based on the rates in effect during the test year.

Based on these adjustments, we find it appropriate that operating revenue shall be reduced by a total of \$97,158 for the water system and by a total of \$206,477 for the wastewater system.

##### Depreciation Expense

We have corrected depreciation expense by removing \$4,986 in non-used and useful water depreciation expense and to restore

\$3,528 in wastewater depreciation expense associated with the non-used and useful as property calculated herein.

Income Taxes

Rule 25-14.004, Florida Administrative Code, requires that where the regulated utility is a subsidiary of a single parent, the income tax effect of the parent's debt invested in the equity of the subsidiary utility shall reduce the income tax expense of the utility. Although this rule was in place during the prior rate proceedings, it did not pertain to the company's operations. Prior to the reorganization, Indiantown owned the stock of the telephone, cellular, competitive local exchange as well as some other investments. The capital structure of this company was used in the prior rate proceedings, so no adjustment was necessary for the effect of parent debt, since Indiantown was the parent at that time. The utility contends that nothing has changed which would now warrant a parent debt adjustment. The utility further contends that even if a parent debt adjustment is ultimately deemed applicable, it should be based on only that portion of Postco, Inc., debt used to acquire the stock of the water and wastewater company.

As we discussed above when addressing the capital structure, Indiantown is no longer the parent company. Indiantown is now a subsidiary company included in the consolidated income tax return of Postco, Inc. Given the utility's corporate reorganization, we find that the rule now applies. Based on our analysis, the rule and interim statute are consistent and a parent debt adjustment is appropriate for interim purposes in this proceeding. Further, the rule does not allow for specific identification of debt from the parent to the subsidiary utility. Since the utility is included in the consolidated income tax returns of the parent, we find that it would be very difficult to prove specific identification to only the utility. Regardless, the utility has not shown on a prima facie basis that any debt is specifically related to the utility.

Moreover, the parent debt adjustment calculated by the utility in the MFRs does not exclude Indiantown's retained earnings as required by the rule. We have calculated a parent debt adjustment, consistent with the rule, in the amount of \$9,017 (\$2,703 for water and \$6,314 for wastewater) based on interim test year amounts and applied it to interim test year income tax expense.

After adjustment and inclusion of the parent debt adjustment, test year income taxes reflect negative income taxes of \$16,593 for water and \$54,775 for wastewater, thereby providing a tax benefit to the taxpaying parent.

As a result of the above adjustment, we find a test year operating loss of \$19,478 for water and of \$72,044 for wastewater.

#### REVENUE REQUIREMENT

We have calculated the interim revenue requirements using the actual operating expenses for the year ended June 30, 1999, as adjusted, and a 5.16% rate of return, the minimum amount as calculated above. As a result, we find that the revenue requirements are \$545,003 for water and \$724,454 for wastewater, as shown on attached Schedules Nos. 3-A, 3-B and 3-C. This represents an interim increase in annual water and wastewater revenues of \$58,133 and \$180,355, or 11.94% and 33.15%, respectively.

#### INTERIM RATES

We find it appropriate that interim service rates be designed to allow the utility the opportunity to generate additional annual operating revenues of \$58,133 for water and \$180,355 for wastewater. This results in revenue increases of 11.94% for water and 33.15% for wastewater. The utility has applied its calculated percentage of revenue increase, which included miscellaneous revenue, to the current rates. However, this would not allow the utility to recover the required revenue because the utility has requested no interim increase in miscellaneous revenue. Therefore, we find it would be inappropriate to include those revenues when calculating the percentage increase in rates. Miscellaneous revenue should be deducted from test year revenue before the percentage increase is calculated. Also, the rates to be increased are those in effect at the end of the test year which is consistent with our adjustment to operating revenue removing the index received after the test year. When miscellaneous service revenues are excluded, the increase to the remaining rates is 12.45% for water and 33.16% for wastewater, to be applied as an across the board increase to the rates in place at the end of the interim test year.

The interim rates shall 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, provided customers



have received notice. The revised tariff sheets shall be submitted with sufficient time for our staff to verify that the tariffs are consistent with our decision, that the proposed notice to the customers is adequate, and that the required security discussed below has been filed. The tariff sheets shall be administratively approve upon verification of the above. The utility is to provide proof to our staff of the date notice was given within 10 days after the date of notice.

The utility's current and proposed interim rates and our approved interim rates are shown on Schedules Nos. 4-A and 4-B.

#### SECURITY FOR REFUND

Pursuant to Section 367.082, Florida Statutes, revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest. As stated previously, the total annual interim increase is \$238,488, or \$58,133 for the water system and \$180,355 for wastewater system on an annual basis. We have calculated the potential refunds of water and wastewater revenues and interest collected, in accordance with Rule 25-30.360, Florida Administrative Code, under interim conditions to be \$162,000. This amount is based on an estimated eight months of revenue being collected from our approved interim rates over the previously authorized rates shown on Schedules Nos. 4-A and 4-B.

We have reviewed the financial data of the utility and its parent company, Postco. The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 1996, 1997 and 1998 annual reports of Indiantown were used to determine the financial condition of the Company. Indiantown is 100% owned and capitalized by Postco. Our analysis shows, Indiantown has shown a slight decrease in its liquidity since 1997. In addition, Indiantown has shown a decline in its interest coverage and profitability over the last three years. Based upon this analysis, we find that Indiantown cannot support a corporate undertaking in the amount of \$162,000. Therefore, we find it appropriate that the utility provide a letter of credit, bond or escrow agreement to guarantee the funds collected subject to refund.

If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution pursuant to a written escrow agreement. The

Commission shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall state the following: that the account is established at the direction of this Commission for the purpose set forth above; that no withdrawals of funds shall occur without the prior approval of the Commission through the Director of the Division of Records and Reporting; that the account shall be interest bearing; that information concerning that escrow account shall be available from the institution to the Commission or its representative at all times; that the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and that pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d, DCA 1972), escrow accounts are not subject to garnishments.

The utility shall deposit \$21,000 into the escrow account each month for possible refund. The escrow agreement shall also state the following: that if a refund to the customers is required, all interest earned on the escrow account shall be distributed to the customers; and if a refund to the customers is not required, the interest earned on the escrow account shall revert to the utility.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$162,000. If the utility chooses a bond as security, the bond shall state that it will be released or shall terminate only upon subsequent order of the Commission. If the utility chooses to provide a letter of credit as security, the letter of credit shall state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the utility or requiring a refund.

Irrespective of the type of security provided, the utility shall keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and shall be borne by, the utility.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the final rates and schedules proposed by Indiantown Company, Inc. are hereby suspended. It is further

ORDERED that the request for an interim rate increase for water and wastewater rates by Indiantown Company, Inc. is hereby granted to the extent set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are incorporated herein by reference. It is further

ORDERED that the approved interim rates shall become effective for service rendered on or after the stamped approval date on the tariff sheets, provided customers have received notice. It is further

ORDERED that Indiantown Company, Inc. shall provide a bond or letter of credit in the amount of \$162,000 or an escrow agreement as set forth in the body of this Order as guarantee of any potential refund of water and wastewater revenues collected under the interim conditions. It is further

ORDERED that prior to implementation of the interim rates approved herein, Indiantown Company, Inc. shall file and have approved tariff pages revised in accordance with the provisions of this Order, appropriate security for the refund, a proposed customer notice, and proof that the customers have received notice of the rate increase. It is further

ORDERED that the tariff sheets will be stamped approved upon verification that they are consistent with our decision herein, that the proposed customer notice is adequate, and that the appropriate security is provided. It is further

ORDERED that during the time the interim rates are in effect, Indiantown Company, Inc. shall file a report by the 20th of each month indicating the monthly and total revenue collected subject to refund the pursuant to Rule 25-30.360(6), Florida Administrative Code.

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By ORDER of the Florida Public Service Commission this 8th  
day of May, 2000.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

PAC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Any party adversely affected by this order, which is intermediate in nature, may request judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final nor reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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INDIANTOWN COMPANY, INC.  
 SCHEDULE OF WATER RATE BASE  
 INTERIM TEST YEAR ENDED 06/30/99

SCHEDULE NO. 1-A  
 DOCKET 990939-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER	COMMISSION ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$1,992,336	\$0	\$1,992,336	\$0	\$1,992,336
2 LAND & LAND RIGHTS	\$0	\$0	\$0	\$5,319	\$5,319
3 NON-USED & USEFUL COMPONENTS	\$0	\$0	\$0	(\$191,849)	(\$191,849)
4 ACCUMULATED DEPRECIATION	(\$931,413)	\$-0	(\$931,413)	\$0	(\$931,413)
5 CIAC	(\$919,449)	\$0	(\$919,449)	\$0	(\$919,449)
6 AMORTIZATION OF CIAC	\$276,517	\$2	\$276,519	\$0	\$276,519
7 CWIP	\$0	\$0	\$0	\$0	\$0
8 ADVANCES FOR CONSTRUCTION	\$0	\$0	\$0	\$0	\$0
9 UNFUNDED POST-RETIRE.	\$0	\$0	\$0	\$0	\$0
10 WORKING CAPITAL ALLOWANCE	<u>\$75,712</u>	<u>(\$21,741)</u>	<u>\$53,971</u>	<u>\$0</u>	<u>\$53,971</u>
<b>RATE BASE</b>	<u>\$493,703</u>	<u>(\$21,739)</u>	<u>\$471,964</u>	<u>(\$186,530)</u>	<u>\$285,434</u>

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INDIANTOWN COMPANY, INC.  
 SCHEDULE OF WASTEWATER RATE BASE  
 INTERIM TEST YEAR ENDED 06/30/99

SCHEDULE NO. 1-B  
 DOCKET 990939-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER	COMMISSION ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$2,896,058	\$0	\$2,896,058	\$0	\$2,896,058
2 LAND	\$0	\$0	\$0	\$383	\$383
3 NON-USED & USEFUL COMPONENTS	(\$281,261)	\$0	(\$281,261)	\$33,570	(\$247,691)
4 ACCUMULATED DEPRECIATION	(\$1,415,89	\$0	(\$1,415,89	\$0	(\$1,415,89
5 CIAC	(\$1,008,48	\$0	(\$1,008,48	\$0	(\$1,008,48
6 AMORTIZATION OF CIAC	\$373,059	\$1	\$373,060	\$0	\$373,060
7 ACQUISITION ADJUSTMENTS -	\$0	\$0	\$0	\$0	\$0
8 ADVANCES FOR CONSTRUCTION	\$0	\$0	\$0	\$0	\$0
9 UNFUNDED POST-RETIRE.	\$0	\$0	\$0	\$0	\$0
10 WORKING CAPITAL ALLOWANCE	<u>\$90,423</u>	<u>(\$21,185</u>	<u>\$69,238</u>	<u>\$0</u>	<u>\$69,238</u>
<b>RATE BASE</b>	<u>\$653,899</u>	<u>(\$21,184</u>	<u>\$632,715</u>	<u>\$33,953</u>	<u>\$666,668</u>

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INDIANTOWN COMPANY, INC.  
 ADJUSTMENTS TO RATE BASE  
 INTERIM TEST YEAR ENDED 06/30/99

SCHED. NO. 1-C  
 DOCKET 990939-WS

EXPLANATION	WATER	WASTEWATER
<b><u>PLANT IN SERVICE</u></b>		
None	<u>\$0</u>	<u>\$0</u>
<b><u>LAND</u></b>		
To show utility land not in the MFR	<u>\$5,319</u>	<u>\$383</u>
<b><u>NON-USED AND USEFUL</u></b>		
1 To correct the non-used and useful	(\$213,081)	\$60,539
2 To correct the non-used and useful depreciation adjustment	<u>21,233</u>	<u>(26,969)</u>
Total	<u>(\$191,849)</u>	<u>\$33,570</u>
<b><u>ACCUMULATED DEPRECIATION</u></b>		
None	<u>\$0</u>	<u>\$0</u>
<b><u>CIAC</u></b>		
None	<u>\$0</u>	<u>\$0</u>
<b><u>ACCUM. AMORT. OF CIAC</u></b>		
None	<u>\$0</u>	<u>\$0</u>
<b><u>WORKING CAPITAL</u></b>		
None	<u>\$0</u>	<u>\$0</u>

INDIANTOWN COMPANY, INC.  
CAPITAL STRUCTURE  
INTERIM TEST YEAR ENDED 06/30/99

SCHEDULE NO. 2  
DOCKET 990939-WS

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST	
<b>PER UTILITY AVERAGE 6/1999</b>								
1 LONG TERM DEBT	\$259,116	(\$259,116)	\$0	\$0	0.00%	0.00%	0.00%	
2 SHORT-TERM DEBT	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
3 PREFERRED STOCK	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
4 COMMON EQUITY	\$4,818,363	\$0	(\$3,844,428)	\$973,935	88.16%	9.03%	7.96%	
5 CUSTOMER DEPOSITS	\$46,741	\$0	\$0	\$46,741	4.23%	6.00%	0.25%	
6 DEFERRED INCOME TAXES	\$713,164	(\$297,722)	(\$331,442)	\$84,000	7.60%	0.00%	0.00%	
7 DEFERRED ITC'S	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
8 TOTAL CAPITAL	<u>\$5,837,384</u>	<u>(\$556,838)</u>	<u>(\$4,175,870)</u>	<u>\$1,104,676</u>	<u>100.00%</u>		<u>8.21%</u>	
<b>PER COMMISSION AVERAGE</b>								
9 LONG TERM DEBT	\$259,116	(\$259,116)	\$0	\$0	0.00%	0.00%	0.00%	
10 SHORT-TERM DEBT	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
11 PREFERRED STOCK	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
12 COMMON EQUITY	\$4,818,363	(\$354,762)	(\$3,957,502)	\$506,099	53.16%	9.43%	5.01%	
13 CUSTOMER DEPOSITS	\$46,741	\$0	\$0	\$46,741	4.91%	6.00%	0.29%	
14 DEFERRED INCOME TAXES	\$713,164	(\$313,902)	\$0	\$399,262	41.93%	0.00%	0.00%	
15 DEFERRED ITC'S	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
16 TOTAL CAPITAL	<u>\$5,837,384</u>	<u>(\$927,780)</u>	<u>(\$3,957,502)</u>	<u>\$952,102</u>	<u>100.00%</u>		<u>5.31%</u>	
						<u>LOW</u>	<u>HIGH</u>	
						RETURN ON EQUITY	9.43%	11.43%
						OVERALL RATE OF RETURN	5.31%	6.37%



INDIANTOWN COMPANY, INC.  
STATEMENT OF WATER OPERATIONS  
INTERIM TEST YEAR ENDED 06/30/99

SCHEDULE NO. 3-A  
DOCKET 990939-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER	COMMISSION ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$486,870	\$97,158	\$584,028	(\$97,158)	\$486,870	\$58,133 11.94%	\$545,003
OPERATING EXPENSES:							
2 OPERATION &	\$605,699	(\$173,925)	\$431,774	\$0	\$431,774		\$431,774
3 DEPRECIATION	\$39,170	\$0	39,170	(4,986)	34,184		34,184
4 AMORTIZATION	\$0	\$0	0	0	0		0
5 TAXES OTHER THAN	\$58,189	\$4,474	\$62,663	(\$5,681)	\$56,982	\$2,616	\$59,598
6 INCOME TAXES	\$0	\$11,673	\$11,673	(\$28,266)	(\$16,593)	\$20,891	\$4,298
7 TOTAL OPERATING EXPENSES	\$703,058	(\$157,778)	\$545,280	(\$38,932)	\$506,348	\$23,507	\$529,855
8 OPERATING INCOME	(\$216,188)	\$254,936	\$38,748	(\$58,226)	(\$19,478)	\$34,627	\$15,149
9 RATE BASE	\$493,703		\$471,964		\$285,434		\$285,434
10 RATE OF RETURN	-43.79%		8.21%		-6.82%		5.31%

INDIANTOWN COMPANY, INC.  
STATEMENT OF WASTEWATER OPERATIONS  
INTERIM TEST YEAR ENDED 06/30/99

SCHEDULE NO. 3-B  
DOCKET 990939-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER	COMMISSION ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$544,099	\$206,477	\$750,576	(\$206,477)	\$544,099	\$180,355 33.15%	\$724,454
OPERATING EXPENSES							
2 OPERATION &	\$723,387	(\$169,477)	\$553,910	\$0	\$553,910		\$553,910
3 DEPRECIATION	\$72,823	(\$25,139)	\$47,684	\$3,528	\$51,212		\$51,212
4 AMORTIZATION	\$0	\$0	\$0	\$0	\$0		\$0
5 TAXES OTHER THAN	\$70,889	\$8,775	\$79,664	(\$13,868)	\$65,796	\$8,116	\$73,912
6 INCOME TAXES	\$0	\$17,372	\$17,372	(\$72,147)	(\$54,775)	\$64,814	\$10,039
7 TOTAL OPERATING EXPENSES	\$867,099	(\$168,469)	\$698,630	(\$82,487)	\$616,143	\$72,930	\$689,073
8 OPERATING INCOME	(\$323,000)	\$374,946	\$51,946	(\$123,990)	(\$72,044)	\$107,425	\$35,381
9 RATE BASE	\$653,899		\$632,715		\$666,668		\$666,668
10 RATE OF RETURN	-49.40%		8.21%		-10.81%		5.31%

INDIANTOWN COMPANY, INC.  
 ADJUSTMENTS TO OPERATING INCOME  
 INTERIM TEST YEAR ENDED 06/30/99

SCHEDULE NO. 3-C  
 DOCKET 990939-WS

<b>EXPLANATION</b>	<b>WATER</b>	<b>WASTEWATER</b>
<b><u>OPERATING REVENUES</u></b>		
1 Remove requested final revenue	(\$75,076)	(\$190,679)
2 Correct revenue based on rates in 6/30/99	<u>(22,082)</u>	<u>(15,798)</u>
Total	<u>(\$97,158)</u>	<u>(\$206,477)</u>
<b><u>OPERATION &amp; MAINTENANCE EXPENSE</u></b>		
None	<u>\$0</u>	<u>\$0</u>
<b><u>DEPRECIATION EXPENSE-NET</u></b>		
To correct the non-used and useful	<u>(\$4,986)</u>	<u>\$3,528</u>
<b><u>AMORTIZATION EXPENSE</u></b>		
None	<u>\$0</u>	<u>\$0</u>
<b><u>TAXES OTHER THAN INCOME</u></b>		
1 RAFs on revenue adjustments above	(\$4,372)	(\$9,291)
2 Non-Used and Useful Property Tax	<u>(1,308)</u>	<u>(4,577)</u>
Total	<u>(\$5,681)</u>	<u>(\$13,868)</u>
<b><u>INCOME TAXES</u></b>		
1 Parent Debt Adjustment	(\$2,703)	(\$6,314)
2 To adjust to test year income tax	<u>(25,563)</u>	<u>(65,833)</u>
Total	<u>(\$28,266)</u>	<u>(\$72,147)</u>

**INDIANTOWN COMPANY, INC.  
 WATER MONTHLY SERVICE  
 INTERIM TEST YEAR ENDED**

**SCHEDULE NO. 4-A  
 DOCKET 990939-WS**

	<b>Rates As of 6/30/99</b>	<b>Rates As of 9/01/99</b>	<b>Utility Requested Interim</b>	<b>Commission Approved Interim</b>
<b><u>Residential, General</u></b>				
Base Facility Charge:				
Meter Size				
5/8" x 3/4"	\$7.54	\$7.80	\$8.95	\$8.48
1"	\$18.86	\$19.51	\$22.39	\$21.21
1-1/2"	\$37.73	\$39.04	\$44.80	\$42.43
2"	\$60.36	\$62.45	\$71.66	\$67.87
3"	\$113.16	\$117.08	\$134.35	\$127.25
4"	\$188.60	\$195.14	\$223.92	\$212.08
6"	\$377.22	\$390.30	\$447.87	\$424.18
8"	\$603.54	\$624.47	\$716.58	\$678.68
8" Turbine	\$679.00	\$702.54	\$806.16	\$763.54
Gallonage Charge, per	\$1.08	\$1.12	\$1.29	\$1.21
<b><u>Private Fire Protection</u></b>				
Base Facility Charge:				
Meter Size				
2"	\$20.53	\$20.82	\$23.89	\$23.09
3"	\$38.49	\$39.03	\$44.79	\$43.28
4"	\$64.15	\$65.04	\$74.63	\$72.14
6"	\$128.31	\$130.09	\$149.28	\$144.28
8"	\$205.30	\$208.15	\$238.85	\$230.86
<b><u>Public Fire Protection</u></b>				
Annual Charge	\$76.93	\$79.59	\$91.33	\$86.51
<b><u>Typical Residential Bills</u></b>				
5/8" x 3/4" Meter Size				
3,000 Gallons	\$10.78	\$11.16	\$12.82	\$12.12
5,000 Gallons	\$12.94	\$13.40	\$15.40	\$14.55
10,000 Gallons	\$18.34	\$19.00	\$21.85	\$20.62

INDIANTOWN COMPANY, INC.  
 WASTEWATER MONTHLY SERVICE RATES  
 INTERIM TEST YEAR ENDED 06/30/99

SCHEDULE NO. 4-B  
 DOCKET 990939-WS

	Rates As of 6/30/99	Rates As of 9/01/99	Utility Requested Interim	Commission Approved Interim
<u>Residential</u>				
Base Facility Charge:				
All meter sizes	\$12.73	\$12.92	\$17.32	\$16.95
Gallonge Charge - Per 1,000 gallons(6,000 gallon cap)	\$1.88	\$1.91	\$2.56	\$2.50
<u>General Service</u>				
Base Facility Charge:				
Meter Size				
5/8" x 3/4"	\$12.73	\$12.92	\$17.32	\$16.95
1"	\$31.81	\$32.28	\$43.27	\$42.36
1-1/2"	\$63.60	\$64.55	\$86.54	\$84.69
2"	\$101.75	\$103.27	\$138.44	\$135.49
3"	\$190.79	\$193.63	\$259.58	\$254.06
4"	\$317.98	\$322.72	\$432.64	\$423.42
6"	\$635.96	\$645.44	\$865.28	\$846.84
8"	\$1,017.5	\$1,032.6	\$1,384.42	\$1,354.94
8" Turbine	\$1,144.7	\$1,161.7	\$1,557.48	\$1,524.31
Gallonge Charge, per 1,000	\$1.88	\$1.91	\$2.56	\$2.50
<u>Typical Residential Bills</u>				
5/8" x 3/4" meter				
3,000 Gallons	\$18.37	\$18.65	\$25.00	\$24.46
5,000 Gallons	\$22.13	\$22.47	\$30.12	\$29.47
10,000 Gallons	\$31.53	\$32.02	\$42.92	\$41.99
(Wastewater Gallonge Cap-6,000)				