

BEFORE THE PUBLIC SERVICE COMMISSION

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

DOCKET NO. 040450-WS
ORDER NO. PSC-04-1265-PCO-WS
ISSUED: December 21, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER SUSPENDING PROPOSED RATES AND GRANTING INTERIM RATE INCREASE

BY THE COMMISSION:

I. BACKGROUND

Indiantown Company, Inc. (Indiantown or utility) is a Class B utility providing water and wastewater service to approximately 1,806 water and 1,686 wastewater customers in Martin County. Indiantown is a wholly-owned subsidiary of Postco, Inc. (Postco). Water and wastewater rates were last established for this utility by Order No. PSC-00-2054-PAA-WS, issued October 27, 2000, in Docket No. 990939-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.

On August 18, 2004, Indiantown filed its initial Application for Rate Increase at issue in the instant docket. However, there were several deficiencies in the Minimum Filing Requirements (MFRs), and the utility did not correct those deficiencies until November 2, 2004, which date was established as the official filing date. The utility requested that the 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 December 31, 2003.

Indiantown requested interim rates designed to generate annual water revenues of \$736,087 and wastewater revenues of \$1,113,471. This represents a revenue increase on an annual basis of \$124,838 (20.42%) for water and \$242,419 (27.83%) for wastewater. The utility requested final rates designed to generate annual water revenues of \$801,014 and wastewater revenues of \$1,209,823. This represents a revenue increase of \$189,765 (31.05%) for water and \$338,771 (38.89%) for wastewater.

Indiantown extended the sixty-day statutory deadline for the suspension of its requested final rates and the consideration of the interim rate request to January 1, 2005. This Order

DOCUMENT NUMBER-DATE

13369 DEC 21 3

FPSC-COMMISSION CLERK

addresses the suspension of Indiantown's requested final rates and the utility's requested interim rates. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes.

II. SUSPENSION OF PROPOSED RATES

Section 367.081(6), Florida Statutes (F.S.), provides that this Commission may, for good cause, withhold consent to the implementation of the requested rates by a vote to that effect within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months if: (1) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the utility.

We have reviewed the filing and have considered the information filed in support of the rate application and the proposed final rates. We find that it is necessary to require further investigation of this information, including on-site investigations by our staff accountant and engineers. Accordingly, we find that it is appropriate to suspend the utility's proposed rate increase.

III. INTERIM RATE INCREASE

The utility has filed rate base, cost of capital, and operating statements to support its requested water and wastewater increases. Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with those used in the utility's most recent rate proceeding and annualizing any rate changes. A review of the utility's interim request, as well as Order No. PSC-00-2054-PAA-WS, in which this Commission last established rate base, shows that adjustments are required and these adjustments are discussed below.

A. Rate Base

1. Non-Used and Useful Component

In its filing, Indiantown calculated a used and useful (U&U) percentage of 97% for its wastewater treatment plant. The utility's wastewater treatment plant has a Florida Department of Environmental Protection (FDEP) permitted capacity of 750,000 gallons per day (GPD) on a three-month average daily flow (TMADF). This U&U percentage was derived by taking the utility's test year TMADF of 724,000 GPD divided by the permitted plant capacity of 750,000 GPD. We note that no growth allowance or adjustments for excessive infiltration were made by Indiantown. The utility further stated that the wastewater treatment plant should be considered 100% U&U because the plant's permitted capacity was exceeded on numerous occasions during the test year.

In the utility's last rate proceeding, we determined that the utility's wastewater treatment plant was 64.6% U&U, with no adjustment for excessive infiltration. Since its last rate case, Indiantown has only added 18 wastewater customers, or approximately 1%. Given this significantly low growth rate, we believe that either erroneous meter readings or excessive

infiltration have caused the utility's U&U percentage to be substantially greater than the U&U percentage approved in its last rate case.

Indiantown utilized the months of August through October in the test year to calculate its TMADF of 724,000 GPD. The wastewater gallons treated for those months are greater than the gallons of water sold, with more than 10 million gallons in excess for one month. Initially, on MFR Schedule F-4, the utility stated that there is no record that the peak flow for the month of August, 2003 was influenced by any abnormal infiltration. However, on its revised MFR Schedule F-2, Indiantown stated:

During August, 2003, the Company's service area received approximately 14 inches of rain. Among other things, a demolition site in the service area was flooded, and 30 4-inch sewer lines that were left uncapped by the contractor drew in the water from the pond that was created by the flooding. All of the water was processed by the sewer plant, and FDEP gave approval to overflow into the St. Lucie Canal. Subsequent smoke testing revealed the uncapped lines, which were then capped. The Company believes this was a one-time act of God and was beyond the immediate control of the Utility.

Given the numerous problems and inconsistencies with the utility's U&U calculation, we find that the same U&U percentage in the last case of 64.6% shall be used in the instant case for interim purposes. Thus, the non-U&U component for interim purposes shall be \$317,426. Accordingly, depreciation expense and property taxes shall be reduced by \$32,830 and \$5,965, respectively.

2. Working Capital

The utility used the formula approach (1/8 of operation and maintenance (O&M) expenses) to calculate working capital. Based on our adjustment to O&M expenses, working capital shall be \$65,518 for water and \$89,417 for wastewater. This represents reductions of \$5,963 for water and \$7,655 for wastewater.

3. Rate Base Summary

Based on the above adjustments, Indiantown's interim rate base shall be \$335,562 and \$760,245 for water and wastewater, respectively. Our calculations of rate base for water and wastewater are shown on Schedules Nos. 1-A and 1-B, respectively, with adjustments shown on Schedule No. 1-C.

B. Cost of Capital

In its interim request, Indiantown used an 8.46% return on equity (ROE), which is the minimum of the range of its last authorized ROE from Order No. PSC-00-2054-PAA-WS. In the utility's last case, this Commission removed non-utility investment directly from equity before it reconciled the capital structure to rate base, pursuant to Rule 25-30.433(12), Florida Administrative Code. In this case, Indiantown made a non-utility investment adjustment of

\$310,265 to equity for interim purposes. Based on review of the MFRs and the utility's 2003 annual report, the total non-utility investment for the test year is \$3,773,812. Thus, consistent with the utility's last rate proceeding, equity shall be reduced by an additional \$3,463,547.

Based on the above, the interim weighted average cost of capital is 7.94%. Our calculation of the cost of capital is shown on Schedule No. 2.

C. Net Operating Income

The utility made revenue adjustments of (\$6,876) for water and (\$14,654) for wastewater to correct a billing error. Since there were no rate changes that occurred during the interim test year, no other revenue adjustments are necessary. However, based on further review, we have made several adjustments to operating expenses.

First, Indiantown reflected \$75,000 of sludge hauling expense for interim purposes. According to the utility's last rate case, the utility requested \$75,000 in sludge hauling expenses, but this Commission found that amount to be unreasonable and allowed only \$60,225. Consistent with the last rate proceeding, sludge hauling expenses shall be reduced by \$14,775.

Second, for interim purposes, Indiantown reflected \$22,931 of allocated affiliate billing costs each for water and wastewater. In the utility's last rate proceeding, this Commission made several adjustments to the allocated billing costs and approved \$10,874 each for water and wastewater. Based on the information provided in the utility's MFRs, we are unable to determine whether Indiantown's requested billing costs are consistent with those approved in its last rate proceeding. As such, the billing costs shall be reduced to the level approved in the last rate proceeding, which represents a decrease of \$12,057 for both water and wastewater.

Third, in the utility's last rate case, this Commission reduced allocated affiliate management fees to \$53,950 each for water and wastewater. For interim purposes, Indiantown reflected \$77,449 for each system, after some utility adjustments were made to comply with the Commission-ordered amounts. However, since the last rate case, there have been several new expense types and some expenses that no longer exist. Due to the numerous changes in the allocation of management fees, we cannot determine whether the utility's adjusted management fee allocation is consistent with the amount approved in the last rate case. As such, we find that the same level of expense approved in the last case shall be utilized for interim purposes. Thus, for interim purposes, the affiliate charges for management fees shall be reduced by \$23,499 for both water and wastewater.

Fourth, for interim purposes, Indiantown reflected annual rate case expense of \$12,153 for water and \$10,916 for wastewater. These amounts represent rate case expense from the utility's last rate case which was completely amortized as of October 27, 2004. Because the utility has fully recovered this prior rate case expense, rate case expense shall be reduced by \$12,153 for water and \$10,916 for wastewater.

Fifth, in Indiantown's last rate proceeding, this Commission made adjustments to include the amortization of contributed taxes that the utility failed to include in its MFRs. Indiantown

failed to include any amortization of contributed taxes in the instant proceeding. Thus, the amortization of \$3,388 for water and \$2,454 for wastewater shall be used as an offset to expense.

Finally, in its filing, the utility calculated a parent debt adjustment of \$6,712, which it allocated \$1,573 to water and \$5,139 to wastewater. In its last rate case, long-term debt was not specifically identified and the utility's retained earnings were excluded. However, in its parent debt adjustment calculation, the utility specifically identified long-term debt and included Indiantown's retained earnings. Thus, the utility's parent debt adjustment shall be increased by \$4,016 for water and \$7,524 for wastewater.

Based on the above adjustments, the appropriate test year operating income, before any revenue increase, is a loss of \$6,734 for water, and a profit of \$4,531 for wastewater.

D. Revenue Requirement

Based on the above, we calculate the revenue requirements to be \$667,271 for water and \$964,754 for wastewater. This represents an interim increase in annual revenues of \$56,022 (or 9.17%) for water and \$93,702 (or 10.76%) for wastewater. This will allow the utility the opportunity to recover its operating expenses and earn a 7.94% return on its rate base. Our calculation of the net operating income and the revenue requirement for water and wastewater is shown on Schedules Nos. 3-A and 3-B, with the adjustments on Schedule No. 3-C.

E. Interim Water and Wastewater Rates

Interim service rates for Indiantown shall be designed to allow the utility the opportunity to generate annual operating revenues of \$667,271 and \$964,754 for water and wastewater operations. This reflects increases of \$56,022 for water, and \$93,702 for wastewater, or 9.17% and 10.76%, respectively, before removal of miscellaneous revenues. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues shall be removed from the test year revenues. The calculation is as follows:

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$611,249	\$871,052
2 Less: Miscellaneous Revenues	<u>26,722</u>	<u>183</u>
3 Test Year Revenues from Service Rates	\$584,527	\$870,869
4 Revenue Increase	<u>\$56,022</u>	<u>\$93,702</u>
5 % Service Rate Increase (Line 4/Line 3)	<u>9.58%</u>	<u>10.76%</u>

The interim rate increases of 9.58% for water and 10.76% for wastewater shall be applied as an across the board increase to the service rates in effect as of December 31, 2003. The approved rates shall be effective for service rendered as of the stamped approval date on the

tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates shall not be implemented until our staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security has been filed. The utility shall provide proof of the date notice was given within 10 days after the date of notice.

The utility's test year, present, proposed interim and final rates, and our approved interim rates are shown on Schedules Nos. 4-A and 4-B. The present rates reflect a price index rate adjustment approved in February 2004, and are shown for informational purposes only.

IV. SECURITY TO GUARANTEE THE INTERIM INCREASE

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As calculated above, the total annual interim increase is \$149,723, or \$56,022 for the water system and \$93,702 for the wastewater system on an annual basis. Based on an estimated six months of revenue being collected under interim rates, we calculate, pursuant to Rule 25-30.360, Florida Administrative Code, that the potential refunds of water and wastewater revenues collected, plus any interest, to be \$75,793.

Our staff has 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 2001, 2002, and 2003 annual reports of Indiantown were used to determine the financial condition of the utility. Indiantown has adequate liquidity and equity capitalization. However, the utility has negative interest coverage and has experienced significant net losses each of the last three years. In addition, Indiantown has non-utility investments recorded on its books equal to approximately 82% of its reported equity balance. Further, according to review of Postco's financials, the utility's parent is in a weaker financial position than its subsidiary. Based upon this analysis, neither Indiantown nor Postco can support a corporate undertaking in the amount of \$75,793. Therefore, the utility shall provide a letter of credit, bond, or escrow agreement to guarantee the funds collected subject to refund. The above-noted brief financial analysis is only appropriate for deciding if the utility can support a corporate undertaking in the amount proposed and should not be considered a finding regarding our position on other issues in the rate case.

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 the Commission Clerk and Administrative Services; 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 \$12,477 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 surety bond or a letter of credit, said instrument shall be in the amount of \$75,793. If the utility chooses a surety bond as security, the surety 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 shall 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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the proposed rate schedules of Indiantown Company, Inc. are hereby suspended in accordance with Section 367.081(6), Florida Statutes. 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 Indiantown Company, Inc. is hereby authorized to collect increased water and wastewater rates on an interim basis subject to refund with interest as set forth in the body of this Order. It is further

ORDERED that the approved rates shall be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1)(a), Florida Administrative Code. It is further

ORDERED that the rates shall not be implemented until our staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security has been filed. It is further

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

ORDERED that Indiantown Company, Inc. shall provide security in the form of an escrow account, bond, or letter of credit under the terms and conditions as set forth in the body of this Order. It is further

ORDERED that if the security provided is an escrow account, Indiantown Company, Inc. shall deposit \$12,477 into the escrow account each month. It is further

ORDERED that if the security is in the form of a bond or letter of credit, the amount of the bond or letter of credit shall be \$75,793. It is further


ORDERED that irrespective of the type of security provided, the utility shall keep an accurate and detailed account of all monies it receives. It is further

ORDERED that pursuant to Rule 25-30.360(6), Florida Administrative Code, Indiantown Company, Inc. shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. It is further

ORDERED that should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that the docket shall remain open pending the Commission's final action on the utility's requested rate increase.

By ORDER of the Florida Public Service Commission this 21st day of December, 2004.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

(SEAL)

RRJ

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 non-final in nature, may request (1) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, or (2) 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. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or 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.

Indiantown Company, Inc. Schedule of Water Rate Base Test Year Ended 12/31/03			Schedule No. 1-A Docket No. 040450-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$2,955,679	(\$5,350)	\$2,950,329	\$0	\$2,950,329
2 Land and Land Rights	5,319	0	5,319	0	5,319
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(1,513,279)	(34,018)	(1,547,297)	0	(1,547,297)
5 CIAC	(1,825,903)	0	(1,825,903)	0	(1,825,903)
6 Amortization of CIAC	730,676	(43,080)	687,596	0	687,596
7 Working Capital Allowance	<u>75,984</u>	<u>(4,503)</u>	<u>71,481</u>	<u>(5,963)</u>	<u>65,518</u>
8 Rate Base	<u>\$428,476</u>	<u>(\$86,951)</u>	<u>\$341,525</u>	<u>(\$5,963)</u>	<u>\$335,562</u>

Indiantown Company, Inc. Schedule of Wastewater Rate Base Test Year Ended 12/31/03			Schedule No. 1-B Docket No. 040450-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$4,532,950	(\$5,350)	\$4,527,600	\$0	\$4,527,600
Land and Land Rights	383	0	383	0	383
3 Non-used and Useful Components	0	0	0	(317,426)	(317,426)
4 Accumulated Depreciation	(2,306,374)	(57,650)	(2,364,024)	0	(2,364,024)
5 CIAC	(2,055,280)	0	(2,055,280)	0	(2,055,280)
6 Amortization of CIAC	954,488	(74,913)	879,575	0	879,575
7 Working Capital Allowance	<u>104,166</u>	<u>(7,094)</u>	<u>97,072</u>	<u>(7,655)</u>	<u>89,417</u>
8 Rate Base	<u>\$1,230,333</u>	<u>(\$145,007)</u>	<u>\$1,085,326</u>	<u>(\$325,081)</u>	<u>\$760,245</u>

Indiantown Company, Inc.
Adjustments to Rate Base
Test Year Ended 12/31/03

Schedule No. 1-C
Docket No. 040450-WS

Explanation	Water	Wastewater
<u>Non-used and Useful</u> To reflect net non-used and useful adjustment.	<u>\$0</u>	<u>(\$317,426)</u>
<u>Working Capital</u> To reflect the appropriate working capital allowance.	<u>(\$5,963)</u>	<u>(\$7,655)</u>

Indiantown Company, Inc.
Capital Structure-Simple Average
Test Year Ended 12/31/03

Schedule No. 2
Docket No. 040450-WS

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$308,216	(\$5,002)	\$303,214	(\$218,341)	\$84,873	5.95%	9.50%	0.57%
2 Short-term Debt	30,367	(15,732)	14,635	(10,495)	4,140	0.29%	4.82%	0.01%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	4,813,931	(310,265)	4,503,666	(3,242,432)	1,261,234	88.39%	8.46%	7.48%
5 Customer Deposits	46,795	0	46,795	0	46,795	3.28%	6.00%	0.20%
6 Deferred Income Taxes	<u>15,135</u>	<u>91,375</u>	<u>106,510</u>	<u>(76,701)</u>	<u>29,809</u>	<u>2.09%</u>	0.00%	<u>0.00%</u>
7 Total Capital	<u>\$5,214,444</u>	<u>(\$239,624)</u>	<u>\$4,974,820</u>	<u>(\$3,547,969)</u>	<u>\$1,426,851</u>	<u>100.00%</u>		<u>8.25%</u>
Per Commission								
8 Long-term Debt	\$303,214	\$0	\$303,214	(\$86,021)	\$217,193	19.82%	9.50%	1.88%
9 Short-term Debt	14,635	0	14,635	(4,152)	10,483	0.96%	4.82%	0.05%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	4,503,666	(3,463,547)	1,040,119	(295,078)	745,041	67.99%	8.46%	5.75%
12 Customer Deposits	46,795	0	46,795	0	46,795	4.27%	6.00%	0.26%
13 Deferred Income Taxes	<u>106,510</u>	<u>0</u>	<u>106,510</u>	<u>(30,216)</u>	<u>76,294</u>	<u>6.96%</u>	0.00%	<u>0.00%</u>
14 Total Capital	<u>\$4,974,820</u>	<u>(\$3,463,547)</u>	<u>\$1,511,273</u>	<u>(\$415,467)</u>	<u>\$1,095,806</u>	<u>100.00%</u>		<u>7.94%</u>

	LOW	HIGH
RETURN ON EQUITY	<u>8.46%</u>	<u>9.46%</u>
OVERALL RATE OF RETURN	<u>7.94%</u>	<u>8.62%</u>

Indiantown Company, Inc.
Statement of Water Operations
Test Year Ended 12/31/03

Schedule No. 3-A
Docket No. 040450-WS

Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$618,125</u>	<u>\$117,962</u>	<u>\$736,087</u>	<u>(\$124,838)</u>	<u>\$611,249</u>	<u>\$56,022</u> 9.17%	<u>\$667,271</u>
Operating Expenses							
2 Operation & Maintenance	\$607,870	(\$36,020)	\$571,850	(\$47,709)	\$524,141		\$524,141
3 Depreciation	31,006	6,913	37,919	0	37,919		37,919
4 Amortization	0	0	0	(3,388)	(3,388)		(3,388)
5 Taxes Other Than Income	76,969	5,408	82,377	(5,618)	76,759	2,521	79,280
6 Income Taxes	<u>18,223</u>	<u>(2,506)</u>	<u>15,717</u>	<u>(33,165)</u>	<u>(17,448)</u>	<u>20,132</u>	<u>2,684</u>
7 Total Operating Expense	<u>\$734,068</u>	<u>(\$26,205)</u>	<u>\$707,863</u>	<u>(\$89,880)</u>	<u>\$617,983</u>	<u>\$22,653</u>	<u>\$640,636</u>
8 Operating Income	<u>(\$115,943)</u>	<u>\$144,167</u>	<u>\$28,224</u>	<u>(\$34,958)</u>	<u>(\$6,734)</u>	<u>\$33,368</u>	<u>\$26,634</u>
9 Rate Base	<u>\$428,476</u>		<u>\$341,525</u>		<u>\$335,562</u>		<u>\$335,562</u>
10 Rate of Return	<u>-27.06%</u>		<u>8.26%</u>		<u>-2.01%</u>		<u>7.94%</u>

Indiantown Company, Inc. Statement of Wastewater Operations Test Year Ended 12/31/03						Schedule No. 3-B Docket No. 040450-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$885,706</u>	<u>\$227,765</u>	<u>\$1,113,471</u>	<u>(\$242,419)</u>	<u>\$871,052</u>	<u>\$93,702</u> 10.76%	<u>\$964,754</u>
Operating Expenses							
2 Operation & Maintenance	\$833,329	(\$56,749)	\$776,580	(\$61,247)	\$715,333		\$715,333
3 Depreciation	91,263	25,831	117,094	(32,830)	84,264		84,264
4 Amortization	0	0	0	(2,454)	(2,454)		(2,454)
5 Taxes Other Than Income	103,570	10,275	113,845	(16,874)	96,971	4,217	101,187
6 Income Taxes	<u>4,276</u>	<u>11,985</u>	<u>16,261</u>	<u>-(43,854)</u>	<u>(27,593)</u>	<u>33,673</u>	<u>6,081</u>
7 Total Operating Expense	<u>\$1,032,438</u>	<u>(\$8,658)</u>	<u>\$1,023,780</u>	<u>(\$157,259)</u>	<u>\$866,521</u>	<u>\$37,890</u>	<u>\$904,411</u>
8 Operating Income	<u>(\$146,732)</u>	<u>\$236,423</u>	<u>\$89,691</u>	<u>(\$85,160)</u>	<u>\$4,531</u>	<u>\$55,812</u>	<u>\$60,343</u>
9 Rate Base	<u>\$1,230,333</u>		<u>\$1,085,326</u>		<u>\$760,245</u>		<u>\$760,245</u>
10 Rate of Return	<u>-11.93%</u>		<u>8.26%</u>		<u>0.60%</u>		<u>7.94%</u>

Indiantown Company, Inc.
Adjustment to Operating Income
Test Year Ended 12/31/03

Schedule 3-C
Docket No. 040450-WS

Explanation	Water	Wastewater
<u>Operating Revenues</u>		
Remove requested final revenue increase.	<u>(\$124,838)</u>	<u>(\$242,419)</u>
<u>Operation and Maintenance Expense</u>		
1 To reflect the appropriate sludge hauling expense.	\$0	(\$14,775)
2 To reflect the appropriate billing expenses.	(12,057)	(12,057)
3 To reflect the appropriate management fees.	(23,499)	(23,499)
4 To remove rate case expense that has been fully amortized.	<u>(12,153)</u>	<u>(10,916)</u>
Total	<u>(\$47,709)</u>	<u>(\$61,247)</u>
<u>Depreciation Expense - Net</u>		
To remove net depreciation on non-U&U adjustment above.	<u>\$0</u>	<u>(\$32,830)</u>
<u>Amortization Expense</u>		
To reflect the amortization of contributed taxes.	<u>(\$3,388)</u>	<u>(\$2,454)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.	(\$5,618)	(\$10,909)
2 To remove property tax on non-U&U adjustment above.	<u>0</u>	<u>(5,965)</u>
Total	<u>(\$5,618)</u>	<u>(\$16,874)</u>
<u>Income Taxes</u>		
1 To adjust test year income tax expense.	(\$29,149)	(\$36,330)
2 To reflect appropriate parent debt adjustment.	<u>(4,016)</u>	<u>(7,524)</u>
Total	<u>(\$33,165)</u>	<u>(\$43,854)</u>

Indiantown Company, Inc. Water Monthly Service Rates Test Year Ended 12/31/03			Schedule No. 4-A Docket No. 040450-WS		
	Rates in Effect at 12/31/03	Present Rates (1)	Utility Requested Interim	Utility Requested Final	Commission Approved Interim
<u>Residential and General Service</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$10.33	\$10.45	\$12.44	\$14.88	\$11.32
1"	\$25.82	\$26.13	\$31.11	\$37.20	\$28.29
1-1/2"	\$51.65	\$52.27	\$62.24	\$74.40	\$56.60
2"	\$82.63	\$83.62	\$99.56	\$119.04	\$90.55
3"	\$154.94	\$156.80	\$186.70	\$223.20	\$169.79
4"	\$258.23	\$261.33	\$311.15	\$372.00	\$282.98
6"	\$516.45	\$522.65	\$622.30	\$744.00	\$565.95
8"	\$826.32	\$836.24	\$995.68	\$1,190.40	\$905.52
8" Turbo	\$929.61	\$940.77	\$1,106.85	\$1,339.20	\$1,018.70
Gallonage Charge, per 1,000 Gallons	\$1.53	\$1.55	\$1.85	\$1.89	\$1.68
<u>Private Fire Protection</u>					
Base Facility Charge by Meter Size:					
2"	\$6.90	\$6.98	\$8.31	\$9.92	\$7.56
3"	\$12.91	\$13.07	\$15.56	\$18.60	\$14.15
4"	\$21.52	\$21.78	\$25.93	\$31.00	\$23.58
6"	\$43.03	\$43.55	\$51.85	\$62.00	\$47.15
8"	\$68.86	\$69.69	\$82.98	\$99.20	\$75.46
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$14.92	\$15.10	\$17.99	\$20.55	\$16.36
5,000 Gallons	\$17.98	\$18.20	\$21.69	\$24.33	\$19.70
10,000 Gallons	\$25.63	\$25.95	\$30.94	\$33.78	\$28.09

Indiantown Company, Inc.
Wastewater Monthly Service Rates
Test Year Ended 12/31/03

Schedule No. 4-B
Docket No. 040450-WS

	Rates in Effect at 12/31/03	Present Rates (1)	Utility Requested Interim	Utility Requested Final	Commission Approved Interim
<u>Residential</u>					
Base Facility Charge All Meter Sizes:	\$16.93	\$17.11	\$21.71	\$24.22	\$18.75
Gallage Charge - Per 1,000 gallons (6,000 gallon cap)	\$3.66	\$3.70	\$4.70	\$5.03	\$4.05
<u>General Service</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$16.93	\$17.11	\$21.71	\$24.22	\$18.75
1"	\$42.34	\$42.78	\$54.29	\$60.55	\$46.90
1-1/2"	\$84.68	\$85.57	\$108.59	\$121.10	\$93.79
2"	\$135.49	\$136.91	\$173.74	\$193.76	\$150.07
3"	\$254.04	\$256.71	\$325.76	\$363.30	\$281.37
4"	\$423.40	\$427.85	\$542.93	\$605.50	\$468.96
6"	\$846.81	\$855.70	\$1,085.87	\$1,211.00	\$937.92
8"	\$1,353.84	\$1,368.06	\$1,736.04	\$1,937.60	\$1,499.51
8" Turbo	\$1,524.25	\$1,540.25	\$1,954.55	\$2,179.80	\$1,688.25
Gallage Charge, per 1,000 Gallons	\$4.39	\$4.44	\$5.63	\$5.91	\$4.86
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$27.91	\$28.21	\$35.81	\$39.31	\$30.90
5,000 Gallons	\$35.23	\$35.61	\$45.21	\$49.37	\$39.00
10,000 Gallons	\$38.89	\$39.31	\$49.91	\$54.40	\$43.05

(Wastewater Gallage Cap - 6,000 Gallons)

Note (1): Present rates are shown for informational purposes only.