

ORIGINAL

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March 6, 2000

Ms. Blanca Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

BY FEDERAL EXPRESS

Re: Docket No. 990939-WS - Application of Indiantown Company for Increased  
Water & Wastewater Rates in Martin County

Dear Ms. Bayo:

Pursuant to a letter from Dan Hoppe, dated February 23, 2000, the PSC Staff found additional deficiencies in the Minimum Filing Requirements (MFRs) of Indiantown Company, Inc.

In response to the specific deficiencies set forth in the above-referenced letter, Indiantown Company, Inc. submits herewith the following revised schedules: C-1, C-1(a), C-8, D-3(A), D-4, D-5(A), and D-6. Sixteen copies of each schedule are enclosed.

Please note that each schedule represents additional new information requested by Staff and does not represent the correction of any errors. Consequently, additional rate case expense has been incurred to comply with the Staff requests.

David Erwin, Esq. has requested that I file these schedules with the Commission on behalf of Indiantown Company, Inc., since he is out of the country.

Please contact me if you have any questions concerning the enclosed schedules.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON

*Bob*

Robert C. Nixon

AFA \_\_\_\_\_  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG \_\_\_\_\_  
LEG \_\_\_\_\_  
MAS \_\_\_\_\_  
OPC \_\_\_\_\_  
RRR \_\_\_\_\_  
SEC \_\_\_\_\_  
RCN/apf \_\_\_\_\_  
Enclosures \_\_\_\_\_

cc: M. Abramson (w/encl.)  
T. Bono, CPA (w/encl.)  
D. Erwin, Esq. (w/encl.)  
D. Hartsfield (w/encl.)  
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FLORIDA PUBLIC  
SERVICE COMMISSION

**Reconciliation of Total Income Tax Provision**

**Florida Public Service Commission**

Company: Indiantown Company, Inc.  
 Docket No.: 990939-WS  
 Test Year Ended: June 30, 1999  
 Interim [ ] Final [X]  
 Historic [X] or Projected [ ]

Schedule: C-1  
 Page 1 of 1  
 Preparer: CJN & W

**Explanation: Provide a reconciliation between the total operating income tax provision and the currently payable income taxes on operating income for the test year.**

Line No.	Description	Ref.	Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
1	Current Tax Expense	C-2	\$ (227,657)	\$ 245,277	\$ 17,620	\$ (10,285)	\$ 27,906
2	Deferred Income Tax Expense	C-5	21,559	6,001	27,560	26,728	832
3	ITC Realized This Year	C-7					
4	ITC Amortization	C-7					
5	(3% ITC and IRC 46(f)(2))						
6	Parent Debt Adjustment (1)	C-8	(9,276)	9,276	-	-	-
7	<b>Total Income Tax Expense</b>		<u>\$ (215,374)</u>	<u>\$ 260,554</u>	<u>\$ 45,180</u>	<u>\$ 16,443</u>	<u>\$ 28,738</u>

8 Note (1): a) The water and sewer operations were transferred to a new entity, Postco, Inc., in a tax-free stock  
 9 transaction under IRS Code Section 351. The transfer was fully considered in PSC Order No. PSC-97-1171-FOF-WS.  
 10 No changes in book value resulted. The end result of the reorganization was that the water and wastewater company  
 11 and a small refuse operation are the only businesses contained in the new Indiantown Company, Inc. Thus, nothing  
 12 changed from an economic and customer perspective. In addition, the telephone and Competitive Local Exchange  
 13 Company (CLEC) operations are now in separate companies, ITS Telecommunications System, Inc., and Arrow  
 14 Communications, Inc., respectively.

15 b) Prior to the reorganization, the water and wastewater company was an operating division of the old Indiantown  
 16 Company, Inc., which owned the stock of the telephone, cellular, CLEC, and refuse operations, as well as some other  
 17 investments. The capital structure of this Company was used in the past by the Commission to determine rate of return  
 18 for the water and wastewater company, where a parent debt adjustment was not applicable. Nothing has changed  
 19 which would now warrant a parent debt adjustment.

20 c) As a part of the reorganization, the stock of the cellular company (Central Florida Cellular) was sold to a third  
 21 party, Teledata Systems, Inc., (TDS). Under the terms of the sale, TDS agreed to loan Postco, Inc., \$5,000,000 and  
 22 purchase \$2,000,000 of preferred stock in order to accomplish the reorganization and sale. Of these amounts, a total of  
 23 \$2,395,000 was used to acquire the stock of the water, wastewater and refuse operations. Thus, even if a parent debt  
 24 adjustment is ultimately deemed applicable, it should be based on only that portion of Postco, Inc., debt used to acquire  
 25 the stock of the water and wastewater company.

26 d) Indiantown Company, Inc., as now constituted is a stand alone entity and is able to borrow funds from lending  
 27 institutions on its own. For this reason, the capital structure of Indiantown Company, Inc. has been used to determine  
 28 rate of return. Postco, Inc., is little more than a stock holding company and has only nominal operations of its own.

**Supporting Schedules: C-2, C-5, C-8, C-9**

**Recap Schedules: B-1, B-2**

Reconciliation of Total Income Tax Provision

Florida Public Service Commission

Company: Indiantown Company, Inc.  
 Docket No.: 990939-WS  
 Test Year Ended: June 30, 1999  
 Interim  Final   
 Historic  or Projected

Schedule: C-1(a)  
 Page 1 of 1  
 Preparer: C.J.N. & W.

Explanation: Provide a reconciliation between the total operating income tax provision and the currently payable income taxes on operating income for the test year.

Line No.	Description	Ref.	Total Per Books	Utility Adjustments	Utility Adjusted	Water	Sewer
1	Current Tax Expense	C-2(a)	\$ (227,657)	\$ 235,143	\$ 7,486	\$ (8,593)	\$ 16,079
2	Deferred Income Tax Expense	C-5(a)	21,559		21,559	20,266	1,293
3	ITC Realized This Year	C-7					
4	ITC Amortization	C-7					
5	(3% ITC and IRC 46(f)(2))						
6	Parent Debt Adjustment (1)	C-8	<u>(9,276)</u>	<u>9,276</u>	<u>-</u>	<u>-</u>	<u>-</u>
7	Total Income Tax Expense		<u>\$ (215,374)</u>	<u>\$ 244,419</u>	<u>\$ 29,045</u>	<u>\$ 11,673</u>	<u>\$ 17,372</u>

Note (1): The Utility has eliminated the Parent debt adjustment for the reasons set forth on Note (1), Schedule C-1.

Supporting Schedules: C-2, C-5, C-8, C-9  
 Recap Schedules: B-1, B-2

Parent(s) Debt Information

Florida Public Service Commission

Company: Indiantown Company, Inc.  
 Docket No.: 990939-WS  
 Schedule Year Ended: June 30, 1999

Schedule: C-8  
 Page 1 of 1  
 Preparer: C.J.N & W

Explanation: Provide the information required to adjust income tax expense by the interest expense of the parent(s) that may be invested in the equity of the applicant. If a year-end rate base is used, provide on both a year-end and an average basis. Amounts should be parent only.

Line No.	Description	Parent's Name:		Postco, Inc.		
		Amount	% of Total	Cost Rate	Weighted Cost	
<b>1</b>	<b>Long-Term Debt:</b>			%	%	%
2	Used to acquire water and sewer stock	\$ 2,395,000	23.06	7.36	1.70	
3	Used to acquire telephone and CLEC	4,102,101	39.50	7.36	2.91	
<b>4</b>	<b>Short-Term Debt</b>					
5	Preferred Stock	2,000,000	19.26	5.00	0.96	
6	Common Equity - Common Stock					
7	Retained Earnings - Parent Only	1,888,259	18.18	10.12	1.84	
8	Deferred Income Tax					
9	Other Paid in Capital					-
<b>10</b>	<b>Total</b>	<u>\$ 10,385,360</u>	<u>100.00</u> %		<u>7.41</u> %	
<b>11</b>	<b>Weighted Cost Parent Debt X 37.63% (or applicable consolidated tax rate)</b>					
<b>12</b>	<b>X Equity of Subsidiary (To C-1)</b>					
13	Weighted cost of parent debt used to acquire		1.70	%		
14	stock of water and sewer operations					
15	Consolidated tax rate		<u>37.63</u>			
16			0.64			
17	Equity of water and wastewater Utility					
18	per Schedule D-1	<u>\$ 1,449,456</u>				
19		<u>\$ 9,276</u>				

20 The utility does not believe that a parent debt adjustment is applicable. See Note (1) on Schedule C-1,  
 21 Page 49.

Supporting Schedules: None  
 Recap Schedules: C-3

Preferred Stock Outstanding

Florida Public Service Commission

Company: Indiantown Company, Inc.  
 Docket No.: 990939-WS  
 Test Year Ended: June 30, 1999  
 Utility [ ] or Parent [X]  
 Historic [X] or Projected [ ]

Explanation: Provide data as specified on preferred stock on a simple average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

Schedule: D-3(A)  
 Page 1 of 1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
Line No.	Description, Coupon Rate, Years of Life	Issue Date	Call Provis., Special Restrict.	Principal Amount Sold (Face Value)	Principal Amount Outstanding	(Discount) or Premium on Principal Amount Sold	(Discount) or Premium Associated With Col (5)	Issuing Expense Associated With Col(4)	Issuing Expense Associated With Col(5)	Net Proceeds (5)-(9)+(7)	Rate (Contract Rate on Face Value)	Dollar Dividend On Face Value (11)x(5)	Effective Cost Rate (12)/(10)
1	Non-cumulative,												
2	Non-voting												
3	Uncallable, no stated												
4	life, 5% stated rate	01/08/98	None	\$ 2,000,000	\$ 2,000,000	None	None	None	None	\$ 2,000,000	5%	\$ 100,000	5%
5	Note: This information is for parent, Postco, Inc.												

(New schedule)  
 74(A)

Recap Schedules: A-19,D-2

**Simple Average Cost of Short-Term Debt**

**Florida Public Service Commission**

**Company: Indiantown Company, Inc.**

**Schedule: D-4**

**Docket No.: 990939-WS**

**Page 1 of 1**

**Test Year Ended: June 30, 1999**

**Preparer: C.J.N & W**

**Utility  or Parent**

**Historic  or Projected**

**Explanation: Provide the following information on a beginning and end of year average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.**

<b>Line No.</b>	<b>Lender</b>	<b>(1) Total Interest Expense</b>	<b>(2) Maturity Date</b>	<b>(3) Simple Average Amt. Outstanding</b>	<b>(4) Effective Cost Rate</b>
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1 The Utility has no short-term (average life < one year) debt; therefore, this schedule is not applicable

2 The Utility's parent, Postco, Inc., has no short term debt; therefore, this Schedule is also not applicable to the Parent.

**Recap Schedules: A-19,D-2**

Cost of Long-Term Debt  
Beginning and End of Year Average

Florida Public Service Commission

Company: Indiantown Company, Inc.  
Docket No.: 990939-WS  
Test Year Ended: June 30, 1999  
Utility [ ] or Parent [X] (Postco, Inc.)  
Historic [X] or Projected [ ]

Explanation: Provide the specified data on long-term debt issues on a simple average basis for the test year. Arrange by type of issue (i.e., first mortgage bonds). If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information on the parent level.

Schedule: D-5(A)  
Page 1 of 1  
Preparer: C/JN & W

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Line No.	Description, Coupon Rate, Years of Life	Issue Date- Maturity Date	Principal Amount Sold (Face Value)	Principal Amount Outstanding	Amount Outstanding Within One Year	Unamortized Discount (Premium) Associated With Col(4)	Unamortized Issuing Expense Associated With Col(4)	Annual Amortization of Discount (Premium) on Principal Outstanding	Annual Amort. of Issuing Expense on Principal Outstanding	Interest Cost (Coupon Rate) x Col (4)	Total Interest Cost (8)+(9)+(10)	Effective Cost Rate (11)/((4)-(6)-(7))
1	TeleData Systems	1/7/98 -										
2	Note (1)	2/1/13	\$ 5,000,000	\$ 5,000,000	None					\$ 298,500	298,500	5.97 %
3	Robert Post											
4	Note (2)	1/7/98	2,000,000	1,497,101	\$ 1,497,101					179,652	179,652	12.00
5	Notes: (1) Fixed rate, 5.97%, 15 year term. Interest only to 01/07/03 (5 years). Interest and principal from 01/07/03 to 01/07/13, at which											
6	time the loan balloons											
	(2) One year renewable note, payable on demand, fixed interest rate of 12%.											
7	Total		<u>\$ 7,000,000</u>	<u>\$ 6,497,101</u>	<u>\$ 1,497,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 478,152</u>	<u>\$ 478,152</u>	<u>7.36 %</u>

Supporting Schedules: D-6  
Recap Schedules: A-19, D-2

76(A)  
(New information)

Cost of Variable Rate Long-Term Debt  
Beginning and End of Year Average

Florida Public Service Commission

Company: Indiantown Company, Inc.  
Docket No.: 990939-WS  
Test Year Ended: June 30, 1999  
Utility  or Parent   
Historic  or Projected

Explanation: Provide the specified data on variable cost long-term debt issues on a simple average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

Schedule: D-6  
Page 1 of 2  
Preparer: CJN & W

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line No.	Description, Coupon Rate, Years of Life	Issue Date-Maturity Date	Principal	Amount	Unamortized	Unamortized	Annual	Annual	Base of	Interest	Total	
			Sold (Face Value)	Outstanding	Discount (Premium) Associated	Discount (Premium) Associated	Amortization of Discount (Premium) on Principal	Amort. of Issuing Expense on Principal	Variable Rate (i.e. Prime + 2%)	Cost (Test Year Cost Rate x Col. (4))	Interest Cost ((8)+(9)+(11))	Effective Cost Rate ((12)/(4)-(6)-(7))

- The Utility does not have any variable rate long term debt; therefore, this schedule is not applicable
- The Utility's parent, Postco, Inc., does not have any variable rate long term debt; therefore, this Schedule is also not applicable to the Parent.

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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Supporting Schedules: None  
Recap Schedules: A-19,D-2

77  
(Revised - new information)