



Public Service Commission

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RECORDS AND REPORTING

DATE: APRIL 6, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER AND WASTEWATER (MERCHANT, CROUCH, B. DAVIS, QUIJANO, MUNKOE)
DIVISION OF LEGAL SERVICES (CHRISTENSEN, GERVASI)
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (TRAPER, MAUREY)

RE: DOCKET NO. 990939-WS - APPLICATION FOR RATE INCREASE IN MARTIN COUNTY BY INDIANTOWN COMPANY, INC.
COUNTY: MARTIN

AGENDA: APRIL 18, 2000 - REGULAR AGENDA - DECISION ON INTERIM RATES - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: 60-DAY SUSPENSION DATE: MAY 6, 2000
5-MONTH EFFECTIVE DATE: AUGUST 7, 2000

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\990939I.RCM

Handwritten signatures and initials: ALM, [unclear], [unclear]

CASE BACKGROUND

Indiantown Company, Inc. (Indiantown, ICI 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. The Commission 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, the Commission established rate base

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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, the Commission 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. Staff found several deficiencies in the Minimum 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 Commission's 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.

The sixty day statutory deadline for the Commission to suspend the utility's requested rates is May 6, 2000. This recommendation addresses the suspension of Indiantown's requested final rates and its interim request.

DISCUSSION OF ISSUES

ISSUE 1: Should the utility's proposed final rates be suspended?

RECOMMENDATION: Yes. Indiantown's proposed final water and wastewater rates should be suspended. The docket should remain open pending the Commission's final action on the utility's requested rate increase. (CHRISTENSEN, B. DAVIS)

STAFF ANALYSIS: Section 367.081(6), Florida Statutes, provides that the rates proposed by the utility shall become effective within sixty days after filing unless the Commission votes to withhold consent to implementation of the requested rates. Further, Section 367.081(8), Florida Statutes, 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.

Staff has reviewed the filing and has considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Staff believes 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 staff accountants and engineers. Based on the foregoing, staff recommends that it is appropriate to suspend the utility's proposed final rate increase.

The docket should remain open pending the Commission's final action on the utility's requested rate increase.

ISSUE 2: Should an interim revenue increase be approved?

RECOMMENDATION: Yes. On an interim basis, the utility should be authorized to collect annual water and wastewater revenues as indicated below: (B. DAVIS, MUNROE)

	<u>Revenues</u>	<u>\$ Increase</u>	<u>% Increase</u>
Water	\$545,003	\$58,133	11.94%
Wastewater	\$724,454	\$180,355	33.15%

STAFF ANALYSIS: 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.

Chapter 367.082(5)(b)(1), Florida Statutes, requires the Commission to consider appropriate adjustments consistent with those which were used in the most recent individual rate proceeding of the utility. Staff has reviewed the utility's interim request, as well as the prior rate proceeding orders, and we recommend adjustments as discussed below. We have attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. The rate base schedules are numbered 1-A for water, 1-B for wastewater and 1-C for adjustments. The capital structure schedule is Schedule No. 2. The operating income schedules are numbered 3-A for water, 3-B for wastewater and 3-C for adjustments, respectively.

RATE BASE

Land

The utility has not included any land in its interim rate base. In the MFRs, the utility has stated that there have been no new purchases of land since the last rate proceeding. After review of the annual reports and prior rate proceedings, staff has determined that it was an error not to include the land and staff has corrected the utility's interim rate base to reflect the land that is present in all of these documents. Water rate base should

be increased by \$5,319 and wastewater rate base should 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, staff recommends 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, staff's 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, staff has included a margin reserve for interim purposes. Based on our calculation, staff agrees 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, the Commission 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 they had in the previous case. Using the methodology used in the last rate proceeding, staff has calculated used and useful percentages of 69.4% and 48.3% for water and wastewater, respectively.

Based on the above, staff's net used and useful adjustment is \$191,849 for water and \$247,691 for wastewater. Staff's 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.

Staff recommends no further adjustment to rate base. Based on staff's adjustment described above, rate base should be \$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, the Commission approved name changes, transfer of assets and majority organizational control relating to ICI 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 ICI. The telephone and competitive local exchange company, which formerly were subsidiaries of ICI, are now in separate companies also subsidiaries of Postco, Inc. In the most recent rate proceeding, the Commission used the capital structure of ICI, then the parent, to determine rate of return for the water and wastewater operations. In this application, the utility has used ICI'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. Staff believes 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. Staff believes 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, should be adjusted in a pro rata reconciliation. Therefore, the utility adjustment to prorate deferred taxes should be 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, staff believes the utility has made two errors in its

deferred tax balance. Schedule B-3(a) shows \$55,007 in engineering, legal and painting expenses were adjusted to show deferral 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. Staff recommends correcting this error by increasing deferred taxes by \$20,699 to correct the error and show these expense deferrals.

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

Based on the above adjustments, staff recommends 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, the Commission established the return on equity for Indiantown at 10.43% for regulatory purposes, with a range of 9.43% to 11.43%. Chapter 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. Staff has 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 staff's recommended 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

Staff has 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 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. Staff has reviewed this adjustment and believes 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 should be removed from test year revenues. Staff recommends correcting 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, staff recommends that operating revenue be reduced by a total of \$97,158 for the water system and \$206,477 for the wastewater system.

Depreciation Expense

Staff has 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 property calculated by staff.

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, the water and wastewater company (ICI) 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 ICI 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 staff discussed above when addressing the capital structure, ICI is no longer the parent company. ICI is now a subsidiary company included in the consolidated income tax return of Postco, Inc. Given the utility's corporate reorganization,

staff believes that the rule now applies. Based on staff's 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, staff believes 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.

Also, the parent debt adjustment calculated by the utility in the MFRs does not exclude Indiantown's retained earnings as required by the rule. Staff has 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.

After the above adjustment, staff recommends test year operating loss to be \$19,478 for water and \$72,044 for wastewater.

REVENUE REQUIREMENT

Staff has 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, staff's recommended 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.

ISSUE 3: What are the appropriate interim water and wastewater rates?

RECOMMENDATION: The interim rates for Indiantown should be designed to allow the utility the opportunity to generate additional annual operating revenues of \$58,133 for water and \$180,355 for wastewater. The interim percentage increase should be applied to the rates in effect on June 30, 1999. The approved rates should 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 the customers have received notice. The utility should provide proof to staff of the date notice was given within 10 days after the date of notice. (B. DAVIS)

STAFF ANALYSIS: Staff recommends 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. Staff believes it is 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 staff's recommended 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, which should be applied as an across the board increase to the rates in place at the end of the interim test year.

The interim rates should 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 should be submitted with sufficient time for staff to verify that the tariffs are consistent with the Commission's decision, that the proposed notice to the customers is adequate, and that the required security discussed under Issue 4 has been filed. Staff should be permitted to administratively approve the tariff sheets upon verification of the above. The utility should provide proof to staff of the date notice was given within 10 days after the date of notice.

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

ISSUE 4: What is the appropriate security to guarantee the interim increase?

RECOMMENDATION: The utility should be required to open an escrow account, file a security bond or a letter of credit to guarantee any potential refunds of revenues collected under interim conditions. The escrow account, security bond or letter of credit should be in the amount of \$162,000. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. (D. DRAPER, B. DAVIS)

STAFF ANALYSIS: 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 at a rate ordered by the Commission. As recommended in Issue 3, 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. Staff has 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 staff's recommended interim rates over the previously authorized rates shown on Schedules Nos. 4-A and 4-B.

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 1996, 1997 and 1998 annual reports of ICI were used to determine the financial condition of the Company. ICI is 100% owned and capitalized by Postco. Staff's analysis shows, ICI has shown a slight decrease in its liquidity since 1997. In addition, ICI has shown a decline in its interest coverage and profitability over the last three years. Based upon this analysis, staff recommends that ICI cannot support a corporate undertaking in the amount of \$162,000. Therefore, staff recommends that the utility provide a letter of credit, bond or escrow agreement to guarantee the funds collected subject to refund.

This 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 staff's position on other issues in the rate case.

If the security provided is an escrow account, said account should be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should 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 Cogentino v. Elson, 263 So. 2d 253 (Fla 3d, DCA 1972), escrow accounts are not subject to garnishments.

The utility should deposit \$21,000 into the escrow account each month for possible refund. The escrow agreement should 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 should be in the amount of \$162,000. If the utility chooses a bond as security, the bond should state that it will be released or should terminate only upon subsequent order of the Commission. If the utility chooses to provide a letter of credit as security, the letter of credit should 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 should 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 should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

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

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	STAFF ADJUST- MENTS	STAFF 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	\$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>
RATE BASE	<u>\$493,703</u>	<u>(\$21,739)</u>	<u>\$471,964</u>	<u>(\$186,530)</u>	<u>\$285,434</u>

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	STAFF ADJUST- MENTS	STAFF 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	(\$281,261)	\$0	(\$281,261)	\$33,570	(\$247,691)
4 ACCUMULATED DEPRECIATION	(\$1,415,899)	\$0	(\$1,415,899)	\$0	(\$1,415,899)
5 CIAC	(\$1,008,481)	\$0	(\$1,008,481)	\$0	(\$1,008,481)
6 AMORTIZATION OF CIAC	\$373,059	\$1	\$373,060	\$0	\$373,060
7 ACQUISITION ADJUSTMENTS - NET	\$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>
RATE BASE	<u>\$653,899</u>	<u>(\$21,184)</u>	<u>\$632,715</u>	<u>\$33,953</u>	<u>\$666,668</u>

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

**SCHED. NO. 1-C
 DOCKET 990939-WS**

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

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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
PER UTILITY AVERAGE 6/1999							
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>
PER STAFF AVERAGE 6/1999							
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>
						LOW	HIGH
						<u>9.43%</u>	<u>11.43%</u>
						<u>5.31%</u>	<u>6.37%</u>

DOCKET NO. 990939-WS
 DATE: APRIL 6, 2000

**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 ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$486,870	\$97,158	<u>\$584,028</u>	<u>(\$97,158)</u>	<u>\$486,870</u>	<u>\$58,133</u> 11.94%	<u>\$545,003</u>
OPERATING EXPENSES:							
2 OPERATION & MAINTENANCE	\$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 INCOME	\$58,189	\$4,474	\$62,663	(\$5,681)	\$56,982	\$2,616	\$59,598
6 INCOME TAXES	<u>\$0</u>	<u>\$11,673</u>	<u>\$11,673</u>	<u>(\$28,266)</u>	<u>(\$16,593)</u>	<u>\$20,891</u>	<u>\$4,298</u>
7 TOTAL OPERATING EXPENSES	<u>\$703,058</u>	<u>(\$157,778)</u>	<u>\$545,280</u>	<u>(\$38,932)</u>	<u>\$506,348</u>	<u>\$23,507</u>	<u>\$529,855</u>
8 OPERATING INCOME	<u>(\$216,188)</u>	<u>\$254,936</u>	<u>\$38,748</u>	<u>(\$58,226)</u>	<u>(\$19,478)</u>	<u>\$34,627</u>	<u>\$15,149</u>
9 RATE BASE	<u>\$493,703</u>		<u>\$471,964</u>		<u>\$285,434</u>		<u>\$285,434</u>
10 RATE OF RETURN	<u>-43.79%</u>		<u>8.21%</u>		<u>-6.82%</u>		<u>5.31%</u>

DOCKET NO. 990939-WS
 DATE: APRIL 6, 2000

**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 UTILITY	STAFF ADJUST- MENTS	STAFF 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 & MAINTENANCE	\$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 INCOME	\$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**

EXPLANATION	WATER	WASTEWATER
OPERATING REVENUES		
1 Remove requested final revenue increase	(\$75,076)	(\$190,679)
2 Correct revenue based on rates in effect on 6/30/99	<u>(22,082)</u>	<u>(15,798)</u>
Total	<u>(\$97,158)</u>	<u>(\$206,477)</u>
OPERATION & MAINTENANCE EXPENSE		
None	<u>\$0</u>	<u>\$0</u>
DEPRECIATION EXPENSE-NET		
To correct the non-used and useful adjustment	<u>(\$4,986)</u>	<u>\$3,528</u>
AMORTIZATION EXPENSE		
None	<u>\$0</u>	<u>\$0</u>
TAXES OTHER THAN INCOME		
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>
INCOME TAXES		
1 Parent Debt Adjustment	(\$2,703)	(\$6,314)
2 To adjust to test year income tax expense	<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**

	Rates As of 6/30/99	Rates As of 9/01/99	Utility Requested Interim	Staff Recomm. Interim
Residential, General Service				
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
Gallage Charge, per 1,000	\$1.08	\$1.12	\$1.29	\$1.21
Private Fire Protection				
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
Public Fire Protection				
Annual Charge	\$76.93	\$79.59	\$91.33	\$86.51
Typical Residential Bills				
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	Staff Recomm. Interim
<u>Residential</u>				
Base Facility Charge: All meter sizes	\$12.73	\$12.92	\$17.32	\$16.95
Gallonge Charge - Per 1,000 gallons (10,000 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"	\$1,017.53	\$1,032.69	\$1,384.42	\$1,354.94
8" Turbine	\$1,144.72	\$1,161.78	\$1,557.48	\$1,524.31
Gallonge Charge, per 1,000 Gallons	\$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 - 10,000 Gallons)				