

ORIGINAL

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June 28, 2000

Blanca Bayo, Director  
Division of Records & Reporting  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RECEIVED-FPSC  
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RECORDS AND  
REPORTING

In re: Application for rate increase in Martin County by Indiantown Company, Inc. -  
Docket No. 990939-WS

Dear Ms. Bayo:

In late May, 2000, the staff assigned to the above docket expressed its belief to the company that more information was required to be submitted to comply with Rule 25-30.436(4)(h), F.A.C., pertaining to related party transactions. In response, and after discussion with staff, Indiantown Company, Inc. submits the attached package of information, schedules, work papers, charts and contracts to become a part of its previously filed MFRs.

The company believes that with the filing of this information it will have satisfied the rule in question. Please advise the company if anything else is needed.

Sincerely,

David B. Erwin

DBE:jm

Attachments

cc: Patricia Christensen  
Trisha Merchant  
Office of Public Counsel  
Jeff Leslie  
Robert Nixon

- AD
- AF
- AMP
- COM
- CTR
- ECR
- LEG
- OPC
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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

07898 JUN 28 8

FPSC-RECORDS/REPORTING

Indiantown Company, Inc.  
Information Required by Rule 25-30.436(4)(h)  
Test Year Ended June 30, 1999  
Docket No. 990939-WS  
Additional Related Party Transactions

1. A schedule showing total costs before allocation, name of the entities from which the costs are allocated, and the entities receiving the allocations. This information is presented for the following costs on the pages indicated:
  - a. Capital costs - Including general computer hardware and software, network hardware and software, billing package hardware and software, and financial package hardware and software. These costs and information required are shown on page 6.
  - b. Recurring computer related costs - Includes billing related costs, such as T-1 to South Dakota, hardware maintenance and software support, timeshare fee and direct billing charges from ITS; general ledger software support; and monthly network costs (Internet and T-1 data line to water and wastewater plant offices). These costs and required information are shown on page 7.
  - c. Other recurring related party charges - Sludge hauling and mowing; lease of wastewater pond site. These costs and the required information are shown on page 8.
2.
  - a. A detailed description of the allocated costs is presented above and on pages 6, 7, and 8.
  - b. The total amount of each cost, as described above, and the costs allocated is presented on pages 6, 7, and 8.
3. The allocation method used for each cost is shown on pages 6, 7, and 8.
4. The calculation of allocation percentages, including the numerator and denominator, is shown on pages 6, 7, and 8. The only direct charges are as follows:
  - a. Billing charge from ITS based on \$1.00 for each convergent bill and \$1.50 for each non-convergent bill. Includes all costs including collection.
  - b. Sludge hauling - Based on \$214.29 per 6,000-gallon per truck trip, including lime stabilization. Price is fixed up to 350 trips. If hauling exceeds 350 trips, then the price for each excess trip is \$250 per 6,000-gallon load.  
  
Mowing costs are less than 1 percent of test year revenue and are billed direct, according to location (water or sewer property).
  - c. Lease of pond site (sewer) for \$2,100 per month plus sales tax.
5. Workpapers related to direct method of allocation are not applicable.
6. The organization chart showing the relationship of the parent and sister companies was previously filed with the Commission on February 14, 2000. The only entity not on that chart was Sweetwater Environmental Services, Inc. This company is owned solely by Robert M. Post, Jr. and is not a subsidiary of PostCo.
7. Copies of the contracts for sludge hauling (Sweetwater Environmental Services, Inc.); lease of sewer pond site (Robert M. Post, Jr.); and agreement for billing services are attached as pages 9, 10, and 11.

DOCUMENT NUMBER-DATE

07898 JUN 28 8

FPSC-RECORDS/REPORTING

Indiantown Company, Inc.  
 Information Required by Rule 25-30.436(4)(h) Related Party Charges and Allocations  
 Rate Case Test Year Ended June 30, 1999  
 Docket No. 990939-WS

**Capitalized Costs**

	Company Allocated To						
	Total Cost	Indiantown Telephone	Indiantown Company Total	Indiantown Company Water	Indiantown Company Sewer	Arrow Comm.	Postco Inc.
General Computer Hardware	62,252.44	25,481.29	8,728.04	4,364.02	4,364.02	23,381.49	4,661.62
General Computer Software	6,031.40	3,307.20	848.00	424.00	424.00	1,452.20	424.00
Network Hardware & Software	71,941.67	33,573.67	14,388.00	7,194.00	7,194.00	19,184.00	4,796.00
<b>Total allocated cost</b>	<b>140,225.51</b>	<b>62,362.16</b>	<b>23,964.04</b>	<b>11,982.02</b>	<b>11,982.02</b>	<b>44,017.69</b>	<b>9,881.62</b>
# of terminals connected to system	30	14	6	3	3	8	2
% of total all terminals	100.00%	46.67%	20.00%	10.00%	10.00%	26.67%	6.67%

Computer hardware and software was identified to a company based upon actual purchases by each company. Network hardware of 71,941.67 was allocated on a basis of the # of terminals owned by each company. The table above shows the # of terminals and the allocation percentages.

Billing Package H/W and S/W	58,717.95	24,697.95	17,010.00	8,505.00	8,505.00	17,010.00	0.00
Financial Package H/W & S/W	92,324.07	19,100.07	24,408.00	12,204.00	12,204.00	24,408.00	24,408.00
<b>Total cost of Financial &amp; Billing Pkg. purchased from Martin &amp; Assoc.</b>	<b>151,042.02</b>	<b>43,798.02</b>	<b>41,418.00</b>	<b>20,709.00</b>	<b>20,709.00</b>	<b>41,418.00</b>	<b>24,408.00</b>

\*The general ledger will is being used by all four companies(ITS, ICO, ACI, Postco) so it is being allocated 1/4 to each. The billing package is only being used by ITS, ICO and ACI and therefore, it is being allocated 1/3 to each. The amount allocated to ITS for these items is \$2,380.02 more than allocated to the other related companies. This allocation difference was the result of an allocation error and will not be adjusted due to materiality.

**Indiantown Company, Inc.**  
**Information Required by Rule 25-30.436(3)(h) Related Party Charges and Allocations**  
**Rate Case Test Year Ended June 30, 1999**  
**Docket No. 990939-WS**

**Recurring Costs**

**Company Allocated To**

	Total Cost	Indiantown Telephone Company	Indiantown Company Total	Indiantown Company Water	Indiantown Company Sewer	Arrow Comm.	Postco Inc.
<b>Recurring Billing Costs*</b>							
T-1 To South Dakota	18125.64	6041.88	6041.88	3020.94	3020.94	6041.88	0.00
Hardware Maintenance	3415.44	1138.48	1138.48	569.24	569.24	1138.48	0.00
Software Support	4908.00	1636.00	1636.00	818.00	818.00	1636.00	0.00
Timeshare Fee	46224.00	15408.00	15408.00	7704.00	7704.00	15408.00	0.00
Billing Charge from ITS (DIRECT CHG)	26,016.00		26,016.00				
<b>Total Recurring Billing Costs</b>	<b>98,689.08</b>	<b>24,224.36</b>	<b>50,240.36</b>	<b>12,112.18</b>	<b>12,112.18</b>	<b>24,224.36</b>	<b>0.00</b>

\*Billing Costs are allocated evenly between the three companies receiving billing services, ITS, ICO, ACI  
The T-1 to S.D. is for time share access to the Martin & Assoc. server. The Hardware maint, software support and Timeshare are also charged by Martin for the billing system.

**Recurring Financial Package Costs**

Software Support - General Ledger	4908.00	1227.00	1227.00	613.50	613.50	1227.00	1227.00
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\*Financial Package Costs are allocated evenly between the four user companies, ITS, ICO, ACI & Postco.  
This charge is from Martin & Associates for unlimited support.

**Recurring Network Costs\***

Monthly Internet Costs	7,898.88	2632.96	2632.96	1316.48	1316.48	2632.96	0.00
T-1 Dataline to ICO Water/Admin Plant (DIRECT CHARGE)	4,655.16		4,655.16	2327.58	2327.58		
<b>Total Recurring Network Costs</b>	<b>12,554.04</b>	<b>2,632.96</b>	<b>7,288.12</b>	<b>3,644.06</b>	<b>3,644.06</b>	<b>2,632.96</b>	<b>0.00</b>

\* Internet is allocated evenly among the 3 user companies ITS, ICO, ACI. The T-1 is a direct charge to ICO for T-1 access for its computer systems and is charged at tariffed rates from ITS.

**Indiantown Company, Inc.**  
**Information Required by Rule 25-30.436(1)(b) Related Party Charges and Allocations**  
**Rate Case Test Year Ended June 30, 1999**  
**Docket No. 99035-WS**

**Other Recurring Related Party Direct Charges**

**Company Allocated To**

Total Cost	Indiantown Telephone	Indiantown Company Total	Indiantown Company Water	Indiantown Company Sewer	Arrow Comm.	Postco Inc.
Sludge Hauling	54,750.00	54,750.00		54,750.00		
Mowing	7,020.00	7,020.00	2,580.00	4,440.00		
<b>Total</b>	<b>61770</b>	<b>0</b>	<b>61770</b>	<b>2580</b>	<b>59190</b>	<b>0</b>

**Sweetwater Environ. Services, Inc.**

**Robert M. Post, Jr.**

Lease of Ponds 25.7 Acre Tract	22053			22053		
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April 1, 2000

Mr. Jeffrey S. Leslie  
Indiantown Company, Inc.  
P. O. Box 365  
Indiantown, Florida 34956

Dear Mr. Leslie:

This Contract is in response to our recent meeting regarding lime stabilization, pumping and hauling, and land application of liquid bio-solids from the Indiantown Company, Inc. Waste Water Treatment Plant.

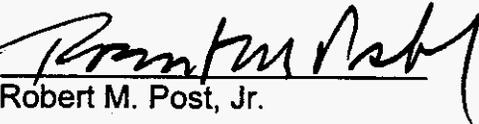
For purposes of identification, Indiantown Company, Inc. will be referred to as "Owner" and Sweetwater environmental, Inc. will be referred to as "Contractor".

1. The Contractor will provide lime, pumps, hoses, fittings, trucks, labor and F.D.E.P. approved land sites to stabilize, pump, haul and land apply liquid sludge.
2. The Owner will provide the Contractor with a current laboratory analysis of the sludge.
3. All employees of the Contractor will be covered by Workmen's Compensation insurance.
4. All of the contractor's trucks and equipment will be properly insured, licensed, and permitted.
5. The Contractor will lime stabilize approximately 245,000 gallons of sludge to meet F.D.E.P. rules and achieving the proper P.H. for a 24 hour period.
6. The Contract price will be \$75,000, which shall include lime, lime stabilization and approximately 350 trips at 6,000 gallon per truck trip of sludge, hauled out and land applied. In the event that the hauling exceeds 350 trips per year, the overage shall be paid at \$250 per 6,000 gallon load.
7. The Contract period will be for one (1) year and can be renewed if agreed upon by both the Owner and the Contractor from year to year thereafter.

8. The Contractor will invoice the Owner twice monthly for loads hauled from the first through the fifteenth day of the month and the sixteenth through the last day of the month with payment due within fifteen (15) days of invoice date.

Sincerely,

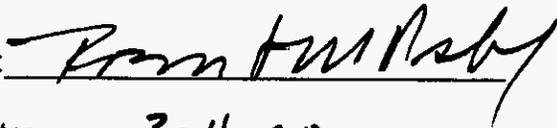
SWEETWATER ENVIRONMENTAL, INC.

By:   
Robert M. Post, Jr.

INDIANTOWN COMPANY, INC.

By:   
Date: 2/14/00

SWEETWATER ENVIRONMENTAL, INC.

By:   
Date: 3-11-00

Robert M. Post, Jr.

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P. O. Box 518  
Indiantown, FL 34956  
(561) 597-3113 • Fax (561) 597-2115

April 1, 1999

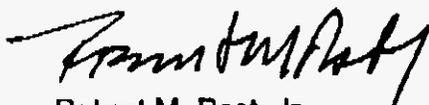
Indiantown Company, Inc.  
P. O. Box 365  
Indiantown, Florida 34956

Gentlemen:

This will confirm our agreement concerning the leasing of 25.7 acres (Exhibit "A") in Bowers Grove. We are hereby leasing this land to you on an annual basis for the sum of \$2100 per month, plus Florida Sales Tax.

Please indicate your acceptance to this agreement by signing a copy of this letter which is enclosed and returning it to us.

Yours truly,



Robert M. Post, Jr.

AGREED AND ACCEPTED THIS \_\_\_\_ DAY OF APRIL, 1999.

INDIANTOWN COMPANY, INC.

BY: 

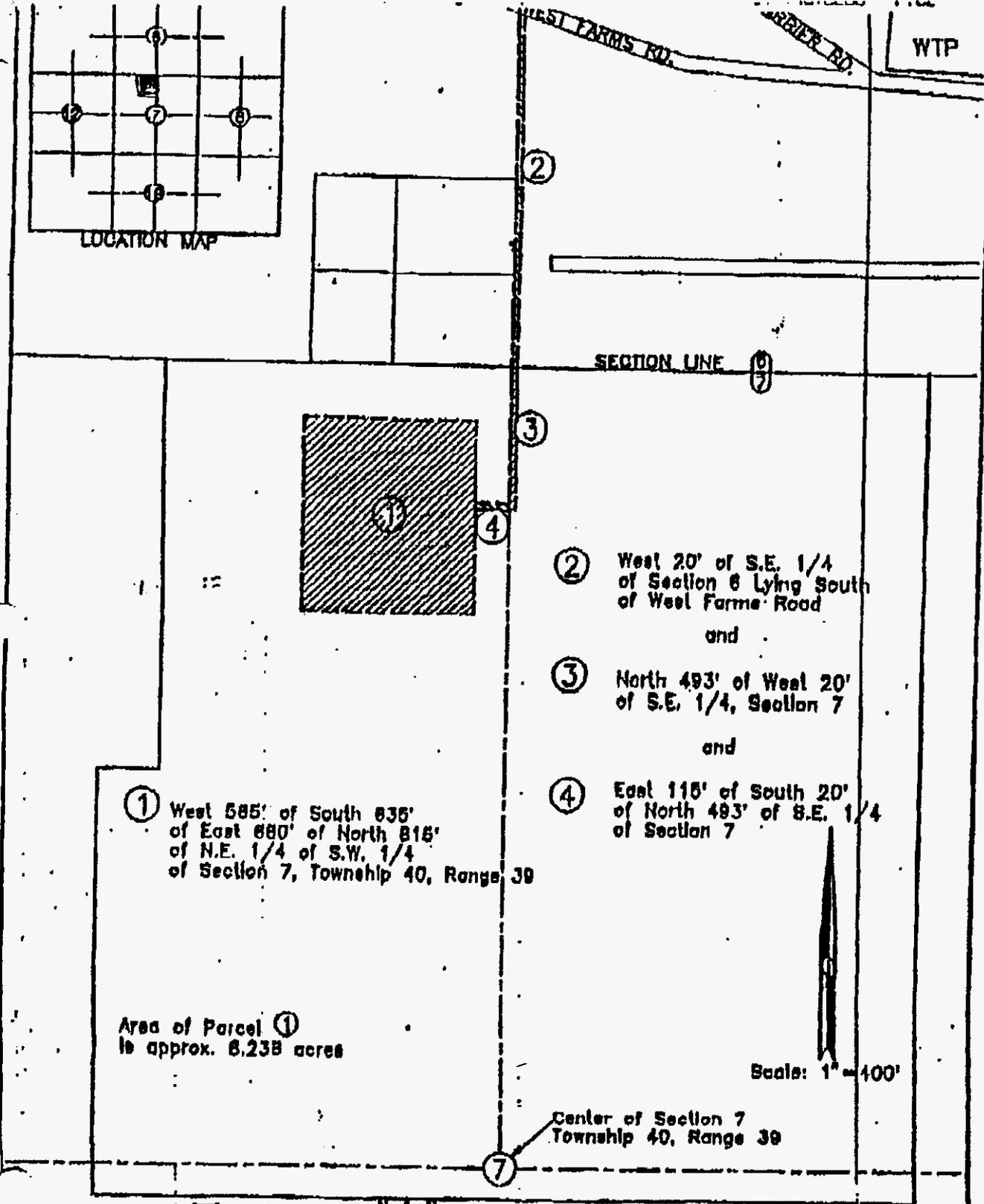
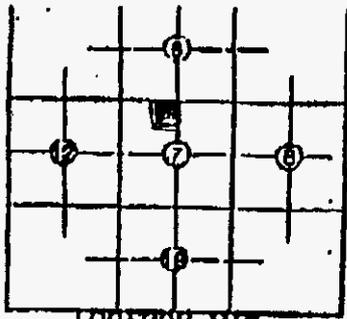


EXHIBIT "A"

ENGINEERING CONCEPTS IN DESIGN

Job # 11083001

COPY

## AGREEMENT

THIS AGREEMENT is entered into this 1<sup>st</sup> day of March, 1999 by and between ITS Telecommunications Systems, Inc., a Florida Corporation, (hereinafter ITS) and Indiantown Company, Inc., a Florida Corporation, (hereinafter ICO).

### RECITALS

WHEREAS ITS and ICO jointly own a billing system located in the business office of ITS in Indiantown, Florida, which provides billing functions to ITS and ICO, a local exchange telephone company and a regulated Water and Wastewater service provider; and

WHEREAS ITS operates said billing system; and

WHEREAS, ICO, an affiliate of ITS, is desirous of obtaining billing services to bill for water and wastewater usage through use of the billing system operated by ITS, at a rate that is competitive, but non-discriminatory;

NOW THEREFORE, in consideration of the promises and mutual covenants contained herein and other good and valuable consideration, the Parties covenant and agree as follows:

### ARTICLE I

#### TERMS AND SCOPE OF AGREEMENT

- 1.1 Term. This Agreement shall commence on the date of execution of this agreement and shall continue for a period of one year or until earlier termination as provided for herein. This Agreement shall be automatically extended for successive renewal terms of one year unless either Party delivers written notice to the other Party prior to the expiration of a one year term that there will be no renewal. Either party may terminate this Agreement at any time after the initial term upon 30 days written notice to the other Party.
- 1.2 Scope. ITS will produce a monthly billing on behalf of ICO on or before the 10<sup>th</sup> day of the month following the month of service. Billing of ICO customers who are also ITS customers will be accomplished by combining the bills of both ITS and ICO into one bill which will clearly itemize both telecommunication and water and wastewater charges. ICO customers who are not ITS customers, or who have requested a separate bill for water and wastewater service, will be billed separately.

### ARTICLE II

#### PAYMENT FOR BILLING SYSTEM USAGE

- 2.1 Charge. ICO agrees to pay ITS \$1.00 per bill produced which combines the ITS bill with the ICO bill and \$1.50 per bill produced which bills for water and wastewater service separately.
- 2.2 Invoices. ITS shall invoice ICO on a monthly basis, in arrears, based upon paragraph 3.1. ITS shall submit invoices by the 15<sup>th</sup> day of the month following the month for which billing

is being made. Should the user dispute any charges on its monthly invoice, ICO shall notify ITS immediately in writing within 30 days of the date of the invoice.

- 2.3 Remittance. ICO shall pay all charges, less any disputed amounts, within 30 days after the date of the invoice, and send remittance to ITS at the address on the invoice.
- 2.4 Late Payments. In the event ICO should fail to make timely payments, ICO agrees to pay a late charge equivalent to the highest rate allowed by law.
- 2.5 Non-payment. If ICO fails to pay the amounts due under this agreement as and when required, except for disputed amounts, ICO agrees that ITS can discontinue producing bills on behalf of ICO upon 48 hours written notice of discontinuance.

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be duly executed as of the day of the year first above written.

Witness:

MaryAnn Holt

Billing System Operator:

ITS Telecommunications Systems, Inc.

By: Don Hankfield

Date: 3/10/1999

Witness:

MaryAnn Holt

Billing System User:

Indiantown Company, Inc.

By: Phil Allen

Date: 3-10-99