

ORIGINAL

MEMORANDUM

September 15, 2000

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RECORDS AND  
REPORTING

TO: DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF LEGAL SERVICES (CHRISTENSEN) *PAC*

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

Please place the attached facsimile from the Office of Public Counsel, dated September 6, 2000 in the the above-referenced docket file.

PAC/lw

Attachment

APP \_\_\_\_\_

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CMP \_\_\_\_\_

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FPSC-RECORDS/REPORTING

**Office of the Public Counsel****O&M Benchmark Statement**

Indiantown Company, Inc. has exceeded its O&M benchmark by a considerable amount and should be held accountable to explain this excess. In its benchmark schedules (B-7, B-8), the Company erroneously compares the prior test year (the year ended December 31, 1994) operating and maintenances to a pre-adjusted test year O&M that does not include all of the expenses the company is requesting in its filing.

For the water system, the total amount of O&M requested (excluding rate case expense) is \$490,434 (\$499,380 - \$8,946) this compares to the prior test year amount of \$253,468. This equates to a 95.5% increase in water O&M in just 4.5 years. By comparison, the water growth plus inflation factor for this time period is 7.18 %.

For the wastewater system, the total amount of O&M requested (excluding rate case expense) is \$726,392 (\$734,266 - \$7,874) this compares to the prior test year amount of \$312,859. This equates to a 132.2% increase in wastewater O&M in just 4.5 years. By comparison, the wastewater growth plus inflation factor for this time period is 11.22%.

While the PSC Staff has done a good job in identifying and eliminating a number of items that make up this gross excess, the recommended O&M for both systems is still unreasonably high (see schedule). Once the Commission approves this level of expense, the customers will be saddled with these unreasonable costs in all future rates. The Commission must hold this utility responsible for its own actions in not holding the line on expenses since 1994.

**Indiantown Company, Inc.**  
**Docket no. 990939-WS**  
**O & M Benchmark Analysis**

		<u>Water</u>	<u>Wastewater</u>
1 December 31, 1994 Base Year	MFR's	\$253,468	\$312,859
2 Benchmark Index (growth + inflation)	MFR's	<u>1.0718</u>	<u>1.1122</u>
3 Benchmark O&M Expenses	(1 x 2)	\$271,667	\$347,962
4 Add: New DEP required expenses *	MFR's	<u>\$0</u>	<u>\$72,980</u>
5 Adjusted Benchmark	(3 + 4)	\$271,667	\$420,922
6 Staff recommended O&M expenses	**	\$398,347	\$576,285
7 Excess of recommended O&M expenses over Benchmark	(6 - 5)	\$126,680	\$155,363
8 Percent over the Benchmark	(7 / 5)	46.63%	36.91%

\* To move the effect of Company claimed Department of Environmental Protection required costs

\*\* Source: Staff Recommendation (excludes rate case expense)