

State of Florida



ORIGINAL

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 2, 2004

TO: Braulio L. Baez, Chairman

FROM: Timothy J. Devlin, Director, Division of Economic Regulation
Ralph J. [Signature], Attorney, Office of the General Counsel

RE: Docket No. 040450-WS - Application for Rate Increase in Martin County by
Indiantown Company, Inc. - Test Year Approval

RECEIVED FPSC
JUN - 2 AM 11:45
COMMISSION CLERK

By letter dated May 9, 2002, Indiantown Company, Inc. (Indiantown or utility) has requested approval to use a historical test year ended December 31, 2003. This rate increase application will be for general rate relief for its water and wastewater systems in Martin County. The utility is also requesting that it be allowed to file its MFRs on or before August 1, 2004. The utility has stated that it will also seek interim rate relief using the test year ended December 31, 2003. Further, the utility stated that it will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes.

The utility has indicated that the proposed test year is representative of the current operations, and a representative period to measure the cost of service and establish new rates. Indiantown states that there is no material growth in the system, the expenses incurred by the utility are typical, and this test year is the most current year for which financial information is available. The utility has stated that it intends to request a limited number of pro forma adjustments relating to rate base and operation and maintenance expenses, as follows:

1. Security camera and security screen over filters and tanks required by DEP.
2. Paving of the utility's office parking lot completed in April 2004.
3. New truck purchased in late December 2003.
4. Relocation of major lift station.
5. The cost of relining of a force main completed in April 2004.
6. Additional weed control required by DEP for the percolation pond.
7. Interior painting of the wastewater plant tank.
8. Increased expenses for employee salaries, benefits, and management fees.

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Indiantown's last rate case was in Docket No. 990939-WS, in which the Commission set rates and charges pursuant to Order No. PSC-00-2054-PAA-WS, issued October 27, 2000. Subsequent to that rate proceeding, Indiantown filed and received indexed rate increases in 2001, 2002, and 2003.

DOCUMENT NUMBER-DATE

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Staff has reviewed the utility's request and its annual reports for the calendar years 2001 through 2003. Based on our review, we believe that the requested test year should be approved. Receipt of the application by August 2, 2004, will be acceptable.

The test year letter filename is S:\psc\ecr\wp\indiantown_tya.doc

c: Dr. Mary Bane, Executive Director
Chuck Hill, Deputy Executive Director
Division of Economic Regulation (Willis, Merchant)
Office of the General Counsel (Jaeger)
Division of Regulatory Compliance and Consumer Assistance (Vandiver)
~~Division of the Commission Clerk and Administration~~