

ORIGINAL

In re: Application of Indiantown Company,)
Inc. for Increased Water and Wastewater)
Rates in Martin County)
_____)

DOCKET NO. 990939-WS

Filed: December 27, 1999

PETITION FOR PERMANENT INCREASE
OF THE WATER AND WASTEWATER RATES
AND CHARGES OF INDIANTOWN COMPANY, INC.

AND

PETITION FOR INTERIM INCREASE
OF THE WATER AND WASTEWATER RATES
OF INDIANTOWN COMPANY, INC.

Indiantown Company, Inc., a Florida corporation (hereinafter "Petitioner" or "Indiantown"), hereby petitions for both permanent and interim rate increases for both its water system and its wastewater system, pursuant to Sections 367.081(6) and 367.082, Florida Statutes, and Rules 25-30.436, 25-30.437 and 25-30.440, Florida Administrative Code, in order to obtain permanent rates that generate a fair rate of return and interim rates as allowed by law, and in support thereof, Petitioner states as follows:

1. The name of the Petitioner and the address of its principal place of business is:

Indiantown Company, Inc.
15851 S. W. Farms Road
Indiantown, Florida 34956

2. The names and addresses of persons authorized to receive notices with regard to this Petition are as follow:

- a. Jeff Leslie, Vice President
Indiantown Company, Inc.
15925 S. W. Warfield Boulevard
Indiantown, Florida 34956
Telephone: 561.597.2104
Fax: 561.597.2110

- b. David B. Erwin, Attorney
127 Riversink Road
Crawfordville, Florida 32327
Telephone: 850.926.9331
Fax: 850.926.8448

- c. Robert C. Nixon
Cronin, Jackson, Nixon & Wilson, P. A.
2560 Gulf-to-Bay Boulevard, Suite 200
Clearwater, Florida 33765-4419
Telephone: 727.791.4020
Fax: 727.797.3602

3. Prior to 1997, Indiantown Company, Inc., the predecessor of the current Indiantown Company, Inc. was owned by two domestic corporations and two foreign national individuals. On May 9, 1997, Indiantown filed an application for transfer of majority organizational control of Indiantown to Postco, Inc. Prior to transfer, the predecessor company operated the regulated water and wastewater facilities, along with an unregulated garbage/refuse business and some development land not associated with any utility service. The predecessor company also had two telephone company subsidiaries. The current Indiantown Company, Inc. provides only water and wastewater service and unregulated garbage/refuse business, and has no subsidiaries.

In a fairly complex transaction, there were two name changes and an asset transfer

in addition to the stock transfer. As a result, the current Indiantown Company obtained the right to use the name Indiantown Company, Inc., and the assets were transferred through a tax-free transfer, so as to retain their same value after the transfer as before the transfer. All of the steps undertaken were accomplished at or shortly after closing, and there was a seamless transfer from the perspective of the customers.

The details of the transfer are contained in Docket No. 970556-WS, and the transfer proceeding details are set forth in Order No. PSC-97-1171-FOF-WS, issued October 1, 1997. The owner of all the stock of Indiantown is Postco, Inc., which is in turn owned by two individuals, each with 50% of the stock. The two individual owners of the stock of Postco, Inc. are Robert M. Post, Jr., also President of Indiantown Company, Inc., and his wife, Linda M. Post.

4. Indiantown Company, Inc., the predecessor of the current Indiantown Company, Inc., presented a rate case in Docket No. 810037-WS, which set rates in Order No. 11891, issued on April 27, 1983. The company thereafter filed one pass through increase and periodically sought and obtained increases through the Commission's price indexing procedure. In Docket No. 960011-WS, the Commission initiated an investigation into the company's rates and charges. As a result of the 1996 investigation, in Order No. PSC-96-0657-FOF-WS, the Commission established a rate base for both the water system and wastewater system, required a refund of the 1994 water price index adjustment, as applied to 1994, 1995 and 1996, and

reduced water rates going forward to remove the 1994 water price index adjustment. In Order No. PSC-96-1205-FOF-WS, the Commission found that the water system had exceeded its authorized maximum return on equity (ROE), while the wastewater system was below its authorized range of return. At that time, on a combined basis, Indiantown Company, Inc. was found by the Commission to be earning a 3.22% ROE. At the end of the test period for this application, June 30, 1999, both per books and on an adjusted basis, Petitioner had no net operating income.

5. On November 1, 1995, in Docket No. 950371-WS, Order No. PSC-95-1328-FOF-WS, the Commission established an authorized ROE for Indiantown Company of 10.43%, with a range of 9.43% to 11.43%. In this current rate proceeding, the Petitioner is requesting revenue which would produce an overall rate of return of 8.22% on a projected basis (Schedule D-1) and 8.21% on an historic basis (Schedule D-1(a)). The ROE used for each calculation is 9.01% and 9.03%, respectively. The ROE used by the Petitioner for this case is less than the bottom of the authorized range of ROE established by the Commission in Order No. PSC-95-1328-FOF-WS. Nevertheless, the Petitioner believes that the ROE employed in this filing is a fair return and is acceptable with regard to the Commission's current leverage graph for water and wastewater utilities, and with regard to Petitioner, in particular. Consequently, Petitioner is not submitting a statement of assurance that its quality of service will not suffer as a result of asking for rates

that will generate less than a fair rate of return, as required by Rule 25-30.436(1)(e), F. A. C. In fact, Petitioner believes that its quality of service will improve, if this petition is granted.

6. The address within the service area of Petitioner, at which this application is available for customer inspection, is at the affiliated telephone company office, at the following address, where better facilities are available to review the application than at the water treatment plant and offices:

ITS Telecommunications Systems
15925 S. W. Warfield Boulevard
Indiantown, Florida 34956

7. Petitioner's Vice President, Jeff Leslie, has signed the Affidavit required by Rule 25-30.436(1)(f), F. A. C., which states that Petitioner will comply with the notice requirements of Rule 25-22.0407, F. A. C.
8. Petitioner requests that the Commission process this application for general rate relief using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes.
9. Petitioner submits that it needs both permanent and interim rate relief, because the current rates and charges do not produce enough revenue to provide any return on rate base. Operating expenses exceed operating revenues in both the water and wastewater systems per books and with test year adjustments (Schedules B-1, B-

1(a), B-2 and B-2(a)). The situation is the result of a number of things. There have been no major plant expansions, but there have been and will be capital expenditures, most notably for a new emergency generator and for DEP mandated improvements, all of which will benefit current customers. There have also been occurrences that will require additional revenue to cover recurring expenses for the future and which are causing expenses to be incurred now. These occurrences are outlined in some detail in the letter requesting test year approval, dated July 16, 1999, and they are: a) the settlement of a dispute with Indianwood Development Corp., which gives Petitioner more facilities to maintain, but no more revenue producing customers, and, b) the issuance by DEP of a new permit for operation of the wastewater treatment facility, which requires the payment of recurring expenses, in addition to the capital expenditures previously mentioned. (Schedule B-3, pages 2 and 3 of 5).

10. On July 16, 1999, Petitioner filed a request letter for approval of a test year for the 12 month period ended June 30, 1999. On August 2, 1999, Chairman Joe Garcia approved the test period sought. Upon request by Petitioner, the filing date was extended to December 31, 1999, from the original authorized filing date of November 30, 1999.
11. Petitioner requests approval to increase its rates to produce annual total system revenue on a permanent basis in the following amounts:

Water system	-	\$ 697,224 (Schedule B-1)
Wastewater system	-	\$1,023,257 (Schedule B-2)

In order to obtain the total revenue amounts shown above, Petitioner requests approval to increase annual revenue in each system in the following amounts:

Water system	-	\$ 188,272 (Schedule B-1)
Wastewater system	-	463,360 (Schedule B-2)

If there should be any adjustments during the processing of this application for rate relief that influence the revenue amounts reflected above, Petitioner, nevertheless, requests approval to recover at least whatever revenue is produced by application of its sought after overall rate of return of 8.22%, even if that revenue is greater than the amounts reflected above.

- Petitioner requests approval to increase its rates to produce annual total system revenue on an interim basis, using the same test period as used for the permanent rate application, in the following amounts:

Water system	-	\$584,028 (Schedule B-1(a))
Wastewater system	-	\$750,576 (Schedule B-2(a))

In order to obtain the total revenue amounts shown above, Petitioner requests approval to increase annual revenue in each system for the duration of the interim increase in the following amounts:

Water system	-	\$ 75,076 (Schedule B-1(a))
Wastewater system	-	\$190,679 (Schedule B-2(a))

Petitioner submits that it is earning outside the range of reasonableness on rate of return, as that is calculated in accordance with Section 367.082(5), Florida Statutes, and that Petitioner is requesting use of an ROE that is less than its "last authorized rate of return on equity."

13. Petitioner believes that the rates set forth in Schedule E-1 will produce the revenue set forth above for both interim and permanent rates, and Petitioner requests approval of such rates, or, if the Commission should make adjustments to the schedules filed herewith, then Petitioner requests approval of rates that will produce the revenue necessary to cover expenses and provide an acceptable rate of return to Petitioner for each system.

14. Petitioner has computed and submits herewith the appropriate filing fees, as required by Rule 25-30.020(2)(e), F. A. C. Petitioner has the existing capacity to serve the following number of ERCs for each system:

Water capacity: 1,231,000 GPD (Schedule F-3)

1,231,000 divided by 350 equals 3517 ERCs

Filing fee - \$3500

Wastewater capacity: 750,000 GPD (Schedule F-4)

750,000 divided by 280 equals 2679 ERCs

Filing fee - \$3500

The total filing fee for this petition is \$7,000.

15. Petitioner submits herewith the Minimum Filing Requirements (Financial, Rate and Engineering) for a Class B water utility and a Class B wastewater utility, as required by Rules 25-30.436, 25-30.437, and 25-30.440, F. A. C. Attached hereto and made a part of this petition are the following:
 - a. Volume I, Financial, Rate and Engineering Minimum Filing Requirements (sixteen copies);
 - b. Volume II, Consolidated Billing Analysis (two copies)
 - c. Volume III a, Additional Engineering Information, containing Schedules A, B and C (two copies)
 - d. Volume III b, Additional Engineering Information, containing Schedules D, E, F, G, H, I and J (two copies)

- e. Map (one copy)
- f. Affidavit signed by Jeff Leslie, Vice President, agreeing to comply with Rule 25-22.0407, F. A. C.
- g. Check for \$7,000 for filing fees.

WHEREFORE, and in consideration of the above, Indiantown Company, Inc., respectfully requests that on the basis of its petition and the minimum filing requirements and other information submitted herewith and present in other dockets and orders of the Commission, the Commission use the PAA process permitted by Section 367.081(8), Florida Statutes, and approve Petitioner's requests for permanent and interim rate increases for its water system and wastewater system in Martin County, as set forth in the body of this petition.

Respectfully submitted this 27th day of December, 1999.

DAVID B. ERWIN
127 Riversink Road
Crawfordville, Florida 32327
Telephone: 850.926.9331
Fax: 850.926.8448



Attorney for Indiantown Company, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Petition, without the supporting Minimum Filing Requirements, was served by U. S. Mail, this 27th day of December, 1999, on

Marshall Wilcox, Chairman
Martin County Board of Commissioners
2401 S. E. Monterey Road
Stuart, Florida 34996



David B. Erwin

ORIGINAL

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Attorney-at-Law

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December 27, 1999

RECEIVED-FPSC
99 DEC 27 AM 9:44
RECORDS AND
REPORTING

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

In re: Docket No. 990939-WS, Application of Indiantown Company, Inc.
for Increased Water and Wastewater Rates in Martin County

Dear Ms. Bayo:

Enclosed please find the following:

- a. Petition for Permanent Increases of the Water and Wastewater Rates and Charges of Indiantown Company, Inc. (16 copies) *15725-99*
- b. Petition for Interim Increase of the Water and Wastewater Rates of Indiantown Company, Inc. (16 copies) *15725-99*
- c. Volume I, Financial, Rate and Engineering Minimum Filing Requirements (16 copies) *15726-99*
- d. Volume II, Consolidated Billing Analysis (2 copies) *15727-99*
- e. Volume III a, Additional Engineering Information, containing Schedules A, B and C (2 copies) *15728-99*
- f. Volume III b, Additional Engineering Information, containing Schedules D, E, F, G, H, I and J (2 copies) *15729-99*
- g. Map (1 copy) *15730-99 - map forwarded to WAW*
- h. Affidavit signed by Jeff Leslie (16 copies) *15731-99*
- i. Filing Fee check for \$7,000, payable to Florida Public Service Commission. *15732-99*
- j. *LETTER TO M.C. COMMISSIONERS / MARSHALL WILCOX 15733-99*

Please see that this application for interim and permanent rate increases, with supporting minimum filing requirements is distributed to the appropriate staff.

AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 MAS _____
 OPC *MPR + Petition*
 RRR _____
 SEC _____
 WAW *complete / set Delivered to Merchant/WAW*
 OTH _____
by Dave Erwin

Thank you for your attention to this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "David B. Erwin". The signature is fluid and cursive, with a large initial "D" and "E".

David B. Erwin

DBE:jm

Attachments

cc: Robert M. Post, Jr.
Jeff Leslie
Bob Nixon
Tom Bono
Jim Hewitt
Mike Abramson

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ERIC M. DOAN, C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JOHN A. VANTREASE, C.P.A.
JAMES L. WILSON, C.P.A.

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December 23, 1999

David B. Erwin, Esq.
127 Riversink Road
Crawfordville, FL 32327

BY FEDERAL EXPRESS

Re: Indiantown Company, Inc. - Diskettes for MFRs

Dear David:

Enclosed is a diskette containing Volumes I and II of the Minimum Filing Requirements of Indiantown Company, Inc.

I believe we are required to file a copy of the MFRs on diskette.

Please call me if you have any questions.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON



Robert C. Nixon

RCN/apf

Enclosure

cc: J. Leslie