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# Public Service Commission

December 9, 2004

## STAFF'S FIRST DATA REQUEST

Mr. David B. Erwin  
Attorney At Law  
127 Riversink Road  
Crawfordville, FL 32327

**Re: Docket No. 040450-WS, Application for rate increase in Martin County by Indiantown Company, Inc.**

Dear Mr. Erwin:

Staff needs the following information to complete our review of the application.

A. The following items relate to the pro forma plant additions requested on Schedule A-3 of the minimum filing requirements (MFRs). For any request where the utility has previously provided the information to staff auditors, please state in which audit document request this information was provided in lieu of resubmitting the same information.

1. For each plant project, provide the following:

- (a) a detailed description, including the purpose, and a statement why each item should be considered in this rate case (i.e. prudence of each item). Explain whether the plant item is new or a replacement of a current asset, and whether the plant addition will provide additional capacity or is necessary to provide service only to current customers;
- (b) a copy of all invoices and other support documentation if the plant project has been completed;
- (c) a copy of the signed contract, and the projected in-service date for each outstanding plant project;
- (d) support calculations for any capitalized costs in addition to the amount reflected on any invoice or contract;

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- (e) all retirement entries, and the methodology and calculations used to calculate the retirement of plant for any items that are replacement for existing plant; and
  - (f) a statement addressing whether any of these additions will be funded by contributions in aid of construction.
- B. The following items pertain to the used and usefulness of the water and wastewater systems.
2. The following questions relate to page 121 through 121(b) of the utility's revised Schedule F-1.
    - (a) Revised Schedule F-1 shows that there were no other water uses during 2003. Other water uses reflect activities where the amount of water used can be measured or estimated by the utility for water main flushing, hydrant flow testing, or filling and chlorinating new water main extensions or equipment. Please explain why the utility reported no other water uses during the test year.
    - (b) Please provide a copy of Indiantown's log for other water uses for 2003 and 2004. This log should reflect the monthly amounts of water used with a description of what type of activity occurred. If no such logs exist, explain why.
    - (c) Provide a description of the utility's procedures to record other water uses and the actions the utility takes to minimize excess unaccounted water.
  3. Revised Schedule F-3, Water Treatment Plant Statistics, indicates that the fire flow requirement is 2,000 gallons per minute for two hours. Please explain this requirement and provide documentation from any governmental authority that supports this requirement.
  4. For each size water main, please provide the total linear feet.
  5. Please explain why gallons of wastewater treated are greater than water sold for the months of March, June, September and October in 2003.
  6. For the years 2000 to 2004, how often have the flow meters at the water and wastewater treatment plants been tested and calibrated? Please provide all supporting documentation, include dates and results.
  7. Has the flow meter at the water treatment plant been replaced? If not, why not?
  8. Please provide a copy of the meter testing log for customers, pursuant to Rule 25-30.265 Florida Administrative Code, for the years 2000 through 2004.
  9. What steps are you taking to monitor the wastewater collection system for possible inflow and infiltration problems?

C. The following items relate to Operation and Maintenance (O&M) Expenses.

10. With regard to Indiantown Company, Inc.'s (IC or utility) Salaries & Wages – Employees, provide the following:

- (a) a list of all A&G employees with their respective salaries that the Commission approved in Docket No. 990939-WS for the period ending June 30, 1999, and include the duties of each A&G employee at that time;
- (b) a list of all A&G employees with their respective duties for the December 31, 2003, test year in this instant case;
- (c) a detailed description of each A&G employee's employment history, including any salary or benefits changes and an explanation for each change, from June 30, 1999, to December 31, 2003;
- (d) a list of all field employees with their respective salaries that the Commission approved in Docket No. 990939-WS for the period ending June 30, 1999, and include the duties of each field employee at that time;
- (e) a list of all field employees with their respective duties for the December 31, 2003, test year in this instant case;
- (f) a detailed description of each field employee's employment history, including any salary or benefits changes and an explanation for each change, from June 30, 1999, to December 31, 2003;
- (g) the original source documentation supporting how many hours each employee that spent time on IC, Postco, Inc., or other affiliate whose time has been charged or allocated to IC for the 2003 and 2004 calendar years. (The documentation should be in the form of time sheets, daily or monthly logs, work orders, management reviews, or any other document that reports at least on a weekly basis how that person's time is spent.);
- (h) a list of all IC, Postco, Inc., or other affiliate employees that belong to a union; and
- (h) all documentation (including, but not limited to, board of director minutes, notes, letters, and e-mails, etc.) regarding the utility's negotiations with the employee union for the salaries, benefits, and other employee costs.

11. With regard to Accounts Nos. 618 and 718 for chemicals, provide the following:

- (a) an explanation of why the utility's water line maintenance required reesterilization. Your response should also address the following questions:
  1. How often does the utility's water line require reesterilization?

2. State the specific dollar amount, quantity purchased, and unit price associated with the reesterilization.
  3. Was there a specific event and/or reason requiring the reesterilization?
  4. Is the reason for the reesterilization non-recurring in nature? If not, why?
  5. If the reesterilization of the utility's water lines was required by the Florida Department of Environmental Protection (DEP), provide all documentation specifically requiring the utility to do so.
12. With regard to Accounts Nos. 632, 633, 732, and 733 for audit, tax, and legal services, provide the following:
- (a) a separate schedule for water and wastewater showing the amounts that were specifically identified for audit, tax, and legal services;
  - (b) an explanation of why an amount was attributed to water or wastewater, for each invoice amount relating to audit, tax, and legal services that the utility specifically identified; and
  - (c) an explanation of the utility's basis for its 45% allocation to each of water and wastewater and 10% for non-utility operation relating to general audit, tax, and legal activities.
13. With regard to Accounts Nos. 634 and 734 for management fees charged by its affiliated companies, provide the following:
- (a) explain why the gross management fee before allocation increased from \$432,759 as of 6/30/99 to \$630,912 as of 12/31/03, which represents an increase of \$198,153 or 45.8%;
  - (b) explain why Mr. Post's salary increased by \$36,924 or 19.75% from 6/30/99 to 12/31/03 and why Mr. Leslie's salary decreased by \$12,407 or 6.91% from 6/30/99 to 12/31/03, include any changes in duties or responsibilities and the reasons or such changes
  - (c) explain why Mr. Post's salary decreased by \$16,387 or 7.3% from 2003 to 2004 and why Mr. Leslie's salary increased by \$77,064 or 46.1% from 2003 to 2004, include any changes in duties or responsibilities and the reasons for such changes;
  - (d) a separate itemized list of the benefits for Mr. Post and Mr. Leslie for 2003 and 2004;
  - (e) a separate itemized list of the insurance coverage, reflected on Schedule B-12(a), Page 5 of 14, Lines 11 through 14, for Mr. Post and Mr. Leslie for 2003;
  - (f) a separate calculation of the payroll taxes, reflected on Schedule B-12(a), Page 3 of 14, Lines 11 through 14, for Mr. Post and Mr. Leslie for 2004;

- (g) explain why payroll taxes for Mr. Post and Mr. Leslie were not included in the 2003 test year management fees;
- (h) state the specific purpose of each 2003 expense reflected on Schedule B-12(a), Page 5 of 14, Lines 17 through 31, for Mr. Robert Post and on Schedule B-12(a), Page 5 of 14, Lines 34 through 38, and Page 6 of 14, Lines 2 through 11, for Mr. Jeff Leslie and explain why a portion of those expenses should be allocated to the regulated water and wastewater operations. Your response should also include the following:
1. an itemized list of assets depreciated and depreciation rate of each assets;
  2. identify the specific licenses and/or permits and a specific statement of why these costs are prudent for ratemaking purposes;
  3. identify the specific taxes and provide the calculations for all taxes;
  4. copies of invoices for all accounting, legal and outside services performed, who performed them, and the hourly rate of each individual performing these services;
  5. copies of invoices for all dues and subscriptions and a specific statement of why these costs are prudent for ratemaking purposes;
  6. an itemized list of the insurance coverage;
  7. an itemized list of the auto expense; and
  8. an itemized list of the entertainment costs and state the purposes of each itemized costs.
- (i) an explanation of each increase or decrease of Mr. Post's other expenses, reflected on Schedule B-12(a), Page 3 of 14, Lines 17 through 31, from 2003 to 2004;
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- (j) an explanation of each increase or decrease of Mr. Leslie's other expenses, reflected on Schedule B-12(a), beginning on Page 3, Line 34 and ending on Page 4, Line 10, from 2003 to 2004;
- (k) a detailed explanation of why the salaries from ITS, Inc. increased by \$127,996 or 328% from 2003 to 2004, include any changes in duties or responsibilities and the reasons for such changes;
- (l) a separate itemized list of the benefits for each ITS, Inc. employee, reflected on Schedule B-12(a), for 2003 and 2004; and
- (m) an explanation of why payroll taxes for the employees of ITS, Inc. was not included in the 2003 test year management fees.

14. With regard to Account No. 620 for water materials & supplies, provide a monthly breakdown of all maintenance requirements included in this account and explain how any increased requirements caused the 2003 expense level to increase 63.40% over the expense level approved by the Commission in the utility's last rate case.
15. With regard to Account No. 720 for wastewater materials & supplies, provide a monthly breakdown of all maintenance requirements included in this account and explain how any increased requirements caused the 2003 expense level to increase 181.07% over the expense level approved by the Commission in the utility's last rate case.
16. With regard to Account No. 636 for contractual other services, provide a monthly breakdown of all maintenance requirements included in this account and explain how any increased requirements caused the 2003 expense level to increase 347.40% over the expense level approved by the Commission in the utility's last rate case.
17. With regard to the bad debt expense of \$2,100 for water and \$2,400 for wastewater reflected on MFR Schedules B-7 and B-8, provide a schedule which lists the customer's name, water and wastewater amount written-off for each customer, and how long every water and wastewater amount was outstanding before it was written-off. In addition, provide an explanation of the utility's policy regarding bad debts and accounting for bad debt expense.
18. The following items relate to the utility's requested rate case expense.
  - (a) For each individual person, in each firm providing consulting services to the applicant pertaining to this docket, provide the billing rate, and an itemized description of work performed. Please provide detail of hours worked associated with each activity. Also provide a description and associated cost for all expenses incurred to date.
  - (b) For each firm or consultant providing services for the applicant in this docket, please provide copies of all invoices for services provided to date.
  - (c) If rate consultant invoices are not broken down by hour, please provide reports that detail by hour, a description of actual duties performed, and amount incurred to date.
  - (d) For each Postco, Inc. or other affiliate employee that incurs costs that will be recorded as rate case expense for this docket, please provide a copy of all time sheets supporting those costs with a breakdown by job function performed and including the hourly rate charged.
  - (e) Please provide an estimate of costs to complete the case by hour for each consultant or employee, including a description of estimated work to be performed, and detail of the estimated remaining expense to be incurred through the PAA process.
  - (f) Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

D. The following items relate to deferred income taxes.

19. State whether the utility has taken into consideration the tax impacts of the Job Creation and Worker Assistance Act of 2002, and the Jobs and Growth Tax Relief Reconciliation Act of 2003.
20. If the utility has claimed or plans to claim the special depreciation allowance for tax purposes, are the deferred tax impacts (including the deferred taxes associated with the utility's requested pro forma plant) reflected in the MFRs? If they are included in the MFRs, provide separate schedules of the resulting current and/or deferred tax impacts for the historical years ending December 31, 2002 and December 31, 2003, and provide a separate schedule of the resulting current and/or deferred tax impacts for the utility's requested pro forma plant.
21. If the deferred tax impacts from this special depreciation allowance are not reflected in the MFRs, provide separate schedules of the resulting current and/or deferred tax impacts for the historical years ending December 31, 2002 and December 31, 2003. In addition, provide a separate schedule of the resulting current and/or deferred tax impacts for the utility's requested pro forma plant.

E. The following items relate to amounts refunded by the utility.

22. With regard to the \$6,876 water refunds and \$14,654 wastewater refunds due to meter reading errors, provide a separate water and wastewater refund report showing the specific customers involved, the amount of meter reading error for each customer, and the resulting dollar amount of overcharges for each customer.
23. If the customers affected by the meter reading errors at the Indiantown Marina are all general service, explain why the gallons used to calculate the water and wastewater refunds are different.
24. With regard to the Indiantown Marina, state: a) how many and what size meters does it have; b) how the utility billed the marina during the test year (include a monthly breakdown of consumption for each meter); and c) how many sub meters, if any, it has.

F. The following items relate to customer growth of the utility.

25. How many water and wastewater customers does the utility have as of November 30, 2004?
26. State any known developments proposed in the utility's service territory. Include the name of each development and the projected number and types of housing units for all initial development phases that have begun since December 31, 2003, or will begin by December 31, 2004.

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27. Are there any projects platted for development in 2005? If so, state the name of each development and the projected number and types of housing units for all initial development phases.

G. The following items relate to the amortization of contributed taxes.

28. Provide a separate amortization schedule for water and wastewater contributed taxes and provide all work papers supporting the calculations in the amortization schedules.

29. Why didn't the utility include any amortization of contributed taxes in its net operating income schedules?

H. The following items relate to miscellaneous service charge revenues.

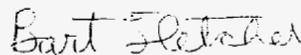
30. Why are there no revenues for initial connection and normal reconnection recorded by the utility under its wastewater system?

31. Why are none of the utility's \$2,763 for late payment penalties recorded under its wastewater system?

32. Provide a copy of the lease or rental agreement associated with the \$13,668 in rental income from the utility's water property. Also, state whether the lessee or renter is a related/affiliated party, and, if so, state the nature of the relationship.

Please provide the above information by January 9, 2005. If you have any questions, please contact me by phone at (850) 413-7017 or by e-mail at [bfletche@psc.state.fl.us](mailto:bfletche@psc.state.fl.us).

Sincerely,



Bart Fletcher

Regulatory Analyst IV

cc: Division of Economic Regulation (Merchant, Edwards)  
Office of the General Counsel (Jaeger)  
Division of the Commission Clerk and Administrative Services