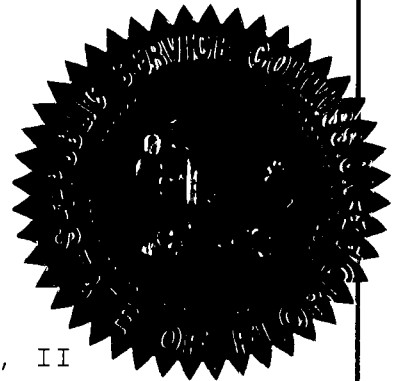


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF 2007 ELECTRIC INFRASTRUCTURE DOCKET NO. 070300-EI  
STORM HARDENING PLAN FILED PURSUANT  
TO RULE 25-6.0342, F.A.C., SUBMITTED  
BY FLORIDA PUBLIC UTILITIES COMPANY.

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PETITION FOR RATE INCREASE BY FLORIDA DOCKET NO. 070304-EI  
PUBLIC UTILITIES COMPANY.



PROCEEDINGS: AGENDA CONFERENCE  
ITEM NO. 7

BEFORE: CHAIRMAN MATTHEW M. CARTER, II  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER KATRINA J. McMURRIAN  
COMMISSIONER NANCY ARGENZIANO  
COMMISSIONER NATHAN A. SKOP

DATE: Tuesday, April 22, 2008

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

REPORTED BY: LINDA BOLES, RPR, CRR  
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1 PARTICIPATING:

2                   MARTHA BROWN, ESQUIRE, JOHN SLEMKEWICZ, KATHY KAPROTH  
3 and ANDREW MAUREY, representing the Florida Public Service  
4 Commission Staff.

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## P R O C E E D I N G S

1  
2 CHAIRMAN CARTER: We are back on the record in the  
3 Agenda Conference and we are moving now, Commissioners, to  
4 Item 7. Give staff an opportunity to, to present the issues.  
5 Staff, you're recognized

6 MR. SLEMKEWICZ: I'm John Slemkewicz with the staff.  
7 Item 7 is Docket Number 070300-EI, Review of 2007 Electric  
8 Infrastructure Storm Hardening Plan Filed Pursuant to Rule  
9 25-6.0342, F.A.C, Submitted by Florida Public Utilities  
10 Company, and Docket Number 070304-EI, Petition for Rate  
11 Increase by Florida Public Utilities Company.

12 At this time staff would like to make an oral  
13 modification to several issues in the rate proceeding.

14 The first issue is, is Issue 43. Staff inadvertently  
15 overlooked an adjustment to correct an error in the company's  
16 MFR filing. The adjustment decreases the 2008 balance for  
17 accumulated depreciation by \$162,633. This adjustment has a  
18 fallout effect on Issues 61, 117, 118, 120 and 126.

19 And the issue recommendations need to be modified as  
20 follows: For Issue 43, "No. The appropriate level of  
21 accumulated depreciation for plant-in-service and common plant  
22 is \$37,078,382 for 2008."

23 For Issue 61, the recommendation is, "No. The  
24 appropriate amount of rate base for the projected test year is  
25 \$40,209,549."

1           Issue 117 is, "Yes. FPUC's requested current income  
2 tax expense of negative \$1,360,960 should be increased by a  
3 total of" 33,000 -- "\$333,754, to reflect an adjusted test year  
4 expense of negative \$1,027,206. FPUC's requested deferred  
5 income tax expense of \$581,498 should be increased by  
6 \$25,769 to reflect an adjusted test year expense of \$607,267.  
7 And FPUC's net investment tax credit should be a negative  
8 \$27,935."

9           Issue 118 should read, the recommendation should  
10 read, "No. The appropriate net operating income for the  
11 December 2000 projected test year is \$645,897."

12           Issue 120, the recommendation should read, "No. The  
13 appropriate annual operating revenue increase for the  
14 December 2008 projected test year is \$3,711,037."

15           And the last issue is Issue 126, and the  
16 recommendation should read, "The appropriate energy charges are  
17 shown below. Residential service, 1.929 cents per kWh.  
18 General service non-demand, 1.894 cents per kWh. General  
19 service demand, .328 cents per kilowatt hour. And general  
20 service large demand, .130 cents per kWh."

21           And that completes the modifications that staff needs  
22 to make. And now we can either, you know, proceed in the order  
23 of the issues and vote on them as we go or discuss specific  
24 issues first and then go back.

25           CHAIRMAN CARTER: Let me do this, let me do this,

1 Commissioners. Staff, thank you.

2 Let me put us in a posture because there may, there  
3 may be some just questions that we may have. But let me, for  
4 the record let me put us in the posture so we can get to our  
5 questions. And if we don't have a question on an issue, we  
6 don't really have to deal with it. We can just vote it up in  
7 toto. But let me just kind of, for the record let me do this,  
8 Commissioners.

9 First of all, some stipulated issues we don't have to  
10 deal with: Issues 1 through 9 and 12, Issue 14, Issues 16  
11 through 18, 21 and 25, Issue 24 was dropped, Issues 29 and 30,  
12 Issue 31, Issues 35 through 47, 40 through 41, 44, 47, 49  
13 through 52, 56, 60. Issues 32, 34, 39 and 45 were dropped.  
14 Issue 64 was stipulated to. Issue 66 was dropped. A lot of  
15 these issues, because of the sequence of the case we just left  
16 those in. Stipulated Issue 64. Issue 66 was dropped.  
17 Stipulated Issues 72 through 73, 79 through 85, 87, 92 through  
18 95, Issue 100, 103, 106, 108, 110. Issues 96, 102, 105, 112  
19 were dropped. Stipulated Issues 121 through 124, 127 through  
20 128 and 130 through 133 were stipulated. Issues stipulated,  
21 135 through 136.

22 So what I would like to do, Commissioners, is get us  
23 in a posture to deal with, you know, the meat of the issue in  
24 terms of what's important to us in terms of discussion. So at  
25 this point in time, Commissioners, now we're into our question

1 phase. Commissioners.

2 Okay. Commissioner Argenziano, you're recognized.

3 COMMISSIONER ARGENZIANO: Question on Issue 62. Let  
4 me, let me pull up that page. Okay. "What is the appropriate  
5 return on common equity for the projected test year," and the  
6 recommendation of staff is 10.25. OPC wants to drop down to  
7 9.15 and FPUC wants to move up to 11.50. The question I have,  
8 and I want to make sure I'm right, currently the rate of return  
9 is 11.05 for FPUC?

10 MR. MAUREY: It's 11.50.

11 COMMISSIONER ARGENZIANO: It's 11.50, not --

12 MR. MAUREY: That's correct.

13 COMMISSIONER ARGENZIANO: That's currently.

14 MR. MAUREY: Correct.

15 COMMISSIONER ARGENZIANO: And that's where you wish  
16 to remain.

17 MR. MAUREY: That's where FPUC has recommended  
18 remaining.

19 COMMISSIONER ARGENZIANO: And I would like to ask  
20 staff why they bumped down to 10.25. Staff.

21 MR. MAUREY: Okay. As you've read in the  
22 recommendation, two witnesses filed testimony on --

23 COMMISSIONER ARGENZIANO: Excuse me.

24 MS. BROWN: Mr. Maurey is a staff member and he can  
25 answer the question.

1 COMMISSIONER ARGENZIANO: Okay. Very good.

2 MR. MAUREY: Oh, sorry. Andrew Maurey, Commission  
3 staff.

4 COMMISSIONER ARGENZIANO: Thank you. I thought you  
5 were FPUC. I've never seen you before. That's okay.

6 MR. MAUREY: Something about struck by lightening, so  
7 I'm out here on my own.

8 (Laughter.)

9 Two witnesses filed testimony on cost of equity in  
10 this proceeding. As you just summarized, the company witness  
11 recommended 11.5, which also happens to be the currently  
12 authorized return on equity. Office of Public Counsel  
13 sponsored a witness. They testified it was 9.15. So based on  
14 the evidence in the record the Commission has a range, if you  
15 would, 9.1 to 11.5.

16 Staff reviewed the testimony, we looked at the  
17 assumptions that went into the models, and based on staff's  
18 assessment of the record we recommended 10.25. There's  
19 authorized ROEs in the country that are in the nines. We  
20 weren't -- staff wasn't comfortable recommending a return that  
21 low at this point in time. We believe capital costs have come  
22 down. We believe the models indicate returns in the tens are  
23 reasonable and that's where we, we came to. We believe capital  
24 costs have come down since 11.5 was set and that's how we got  
25 to 10.25.

1 COMMISSIONER ARGENZIANO: And just a comment at this  
2 point.

3 CHAIRMAN CARTER: You're recognized.

4 COMMISSIONER ARGENZIANO: I have kind of been looking  
5 at this company and it seems that they have really been, proven  
6 to me that they've been very efficient and kept rates very low  
7 and I'd hate to see that change, and I maybe at the proper time  
8 may offer to keep them where they are right now at 11.50. So  
9 but I guess I move to deny staff on Issue 62 and maintain the  
10 current 11.50 that the company has because I think they have  
11 done such an outstanding job, not only of showing efficiencies,  
12 but providing low rates to their consumer, which I've got to  
13 appreciate that. And that's my motion.

14 CHAIRMAN CARTER: Okay. We'll do that. I'll try my  
15 best to keep notes on, on this.

16 COMMISSIONER ARGENZIANO: Okay.

17 CHAIRMAN CARTER: Commissioner Skop, you're  
18 recognized.

19 COMMISSIONER SKOP: Thank you, Mr. Chairman.

20 And, again, I had the same concern that Commissioner  
21 Argenziano raised. I adamantly disagree with the proposed  
22 return on equity recommended by staff. I recognize that that's  
23 a legitimate independent judgment on what the return on equity  
24 appropriate amount should be. Having reviewed all the evidence  
25 and through the staff recommendation, I guess the staff



1 recommendation of the 10.25 that was recommended, kind of flew  
2 through the calculations and subsequently I asked staff to  
3 prepare a sensitivity analysis on what the rate impacts would  
4 be, and I think that's been distributed to my colleagues. But  
5 I also support and would favorably second Commissioner  
6 Argenziano's proposed motion to keep the return on equity at  
7 the current rate of 11.5 percent.

8 I think it's important to signal to the capital  
9 markets and to the investors as a whole that it's necessary for  
10 FPUC to attract capital and continue to offer low rates to the  
11 customer and for -- it's very important at least for me for  
12 Florida to have that stable regulatory environment and show  
13 that our utilities are performing well, and that they should be  
14 appropriately recognized for that in terms of being able to  
15 earn a reasonable rate of return on funds invested.

16 CHAIRMAN CARTER: Commissioners, any further  
17 questions on any further issues?

18 COMMISSIONER ARGENZIANO: Further issues.

19 CHAIRMAN CARTER: Further issues? Commissioner  
20 Argenziano, you're recognized.

21 COMMISSIONER ARGENZIANO: On Issue 99 staff  
22 recommended yes to raising the executive salaries of FPUC. And  
23 I know we had comparisons the last time, and I want to ask the  
24 question, I want to make sure I'm correct. The last raises for  
25 the executive salaries were in 2004, and was it a 21-percent

1 increase?

2 MS. KAPROTH: The executive increase for their raises  
3 was 11 percent for 2005 and 11 percent for 2006.

4 COMMISSIONER ARGENZIANO: So it was '05 and '06.  
5 Okay. And, Mr. Chair, I personally don't think at this time  
6 that that should occur. I, on Issue 99 I say no to staff's  
7 recommendation. I think that the company can give executives  
8 salaries. If I'm correct -- if I'm incorrect, please advise.  
9 So I think the company can give executives higher salaries if  
10 they want to on the shareholders' side and get the raises maybe  
11 to the linemen and the guys that are out there working at the  
12 lower level. So given -- because of the recent salary  
13 adjustments, and I realize they're not tremendously high, but I  
14 would say no to the executive salaries at this point and keep  
15 them the way they are. And that's just my recommendation.

16 CHAIRMAN CARTER: Thank you. Commissioners, on  
17 Issue 99 any further, any other, any other discussion on Issue  
18 99?

19 I'm going to come back, Commissioner, to Issue 62 and  
20 99. I don't -- I wanted to make sure -- let's do this. Let me  
21 just take Issue 62 first and then we'll come back to Issue 99.  
22 Commissioners, we had a motion and a second on Issue --

23 COMMISSIONER EDGAR: Mr. Chairman. Mr. Chairman.

24 CHAIRMAN CARTER: You're recognized, Commissioner  
25 Edgar.

1           COMMISSIONER EDGAR: Thank you. I apologize. I did  
2 not realize, quite frankly, that we were going to move to  
3 voting so soon after the lengthy discussion we've had on some  
4 other items, so I would like a couple of minutes to think  
5 through --

6           CHAIRMAN CARTER: Okay. Well, why don't we do this  
7 then. Why don't I continue and find out -- and, Commissioners,  
8 we'll come back to that. We'll use "Carter's Rules of Order"  
9 and come back to Issue 62 at the appropriate time.

10           COMMISSIONER EDGAR: Thank you.

11           CHAIRMAN CARTER: But any other further discussion on  
12 Issue 99? Commissioner Argenziano has moved to deny staff's  
13 recommendation on Issue 99.

14           Commissioner McMurrrian, you're recognized.

15           COMMISSIONER McMURRIAN: I just wanted to make sure I  
16 was understanding this chart right on Page 122, so I guess I'd  
17 ask staff about that. And I think this was put together from  
18 the late-filed exhibit or was this the earlier exhibit that we  
19 looked at during the hearing on the salaries of the similar  
20 companies' executives?

21           MS. KAPROTH: Right. This, this chart was based on  
22 the Late-Filed Exhibit 94 that was requested at the end of the  
23 hearing.

24           COMMISSIONER McMURRIAN: And so in the first line  
25 there with the average of six companies, those six companies

1 would be in the same ballpark with the number of employees and  
2 number of customers? In fact, under that number of customers  
3 line that first number should be, I'm guessing, 72,168. I  
4 think there's a period there, but --

5 MS. KAPROTH: Yeah. That's a comma. Excuse me.

6 COMMISSIONER McMURRIAN: Okay. So those six, those  
7 six companies that are averaged together would be somewhat  
8 similar in number of employees, number of customers, gross  
9 plant-in-service assets. But their CEO compensation, it looks  
10 like the average of those six companies is a good \$200,000  
11 higher than FPUC's or at least FPUC's -- the \$294,986 is the  
12 proposed CEO compensation for 2008; right?

13 MS. KAPROTH: Yes.

14 (Speaker not on microphone.)

15 COMMISSIONER McMURRIAN: I'm sorry. 122, Page 122.  
16 I guess -- I'm sorry.

17 CHAIRMAN CARTER: Excuse me, Commissioner. One  
18 second, Commissioners. Hang on one second.

19 Could you just take our mikes up maybe one notch so  
20 we could kind of hear a little better? Thank you. Each one of  
21 them.

22 Commissioner Argenziano, you were asking a question?

23 COMMISSIONER ARGENZIANO: No, I've got it.

24 CHAIRMAN CARTER: You got it? Okay.

25 Commissioner McMurrrian.

1           COMMISSIONER McMURRIAN: I'll just add a comment.  
2 I'm concerned that, given this information here that FPUC,  
3 given the good job that they've done for their consumers and  
4 they've kept rates pretty low and I think that they've been  
5 fairly frugal as we look through this recommendation on several  
6 areas -- now I do think that they have proposed some things  
7 that I disagree with and staff has disagreed with, too, in the  
8 rec, and I'm sure we'll talk about some of those other things  
9 later. But it looks to me like FPUC's executive salaries are  
10 very low compared to others in the industry. So I guess I have  
11 concerns with voting against the executive salary adjustments.  
12 So I'll just --

13           CHAIRMAN CARTER: Commissioner Argenziano, you're  
14 recognized.

15           COMMISSIONER ARGENZIANO: On this graph, tell me --  
16 CEO compensation for 2008, it says, "The average of six  
17 companies is \$500,941." Is that correct?

18           MS. KAPROTH: That's correct.

19           COMMISSIONER ARGENZIANO: And then FPUC is, they have  
20 \$294,986 is what the average CEO, and then JEA and Seminole are  
21 not currently available. So where did you come up with the  
22 \$500,941? I'd like to see other CEOs' actual salaries in  
23 comparison. And I understand your concerns because I think the  
24 company has done a great job. I just don't want to see the  
25 rates go up for the consumers, and I don't think that at this

1 point since they just got the 22 percent increase in 2005 and  
2 2006, I think it's time for maybe the, the lower level worker,  
3 the guy who's out there on the line and everything to maybe get  
4 a salary increase. And I'd rather see that on the backs of the  
5 consumer, and maybe the corporate shareholders could give the  
6 executive employees a little bit of, of a raise. Because they  
7 are low and I agree with that, but it is Marianna and they did  
8 just get a raise. So perhaps maybe if we held back on their  
9 executive salaries, maybe the guys out there on the line and  
10 the women out there on the line, maybe they can get paid a  
11 little better. And that's just my real concern there. Because  
12 I know that area very well, and I think the company is great  
13 and I do agree with you, Commissioner McMurrin, that they are  
14 low. But according to this chart, I don't see where -- if it's  
15 not currently available, what, what, what other companies am I  
16 looking at and what other CEOs are getting paid?

17 CHAIRMAN CARTER: Staff.

18 MR. BROWN: Just a minute, please.

19 CHAIRMAN CARTER: Okay. Let's take a minute then.  
20 Commissioners, if you could hold your questions for a moment  
21 here, we'll --

22 COMMISSIONER ARGENZIANO: If I can just ask  
23 Commissioner McMurrin a question.

24 CHAIRMAN CARTER: Commissioner Argenziano.

25 COMMISSIONER ARGENZIANO: Do you see what I mean on

1 the chart? It doesn't give me CEO, other CEOs' salaries, so I  
2 don't, I have nothing to compare. It just says, "Average of  
3 six companies," but then it says "not currently available."

4 CHAIRMAN CARTER: This is on Page -- we're on Page  
5 122. Page 122.

6 MR. SLEMKEWICZ: The -- we do not have JEA and  
7 Seminole Electric. They are not included in that average of  
8 six companies.

9 COMMISSIONER ARGENZIANO: So then what did you base  
10 your average on?

11 MR. SLEMKEWICZ: It was on -- there, there were six  
12 other companies.

13 COMMISSIONER ARGENZIANO: But why would you use the  
14 companies that you don't have the average on because they're  
15 closer in size but you don't have the CEOs' average instead of  
16 using the ones that you did base it on? Are they not similar  
17 then? Are they larger companies, different geographic --

18 MR. SLEMKEWICZ: No. We don't have the information  
19 for JEA and Seminole Electric, so they cannot be included in,  
20 you know, what the CEO compensation was for 2008. We did have  
21 it for six other companies. And this is --

22 COMMISSIONER ARGENZIANO: I'm sorry.

23 CHAIRMAN CARTER: You're recognized.

24 COMMISSIONER ARGENZIANO: That's what I mean. That's  
25 what I would need to see in front of me.

1 MR. SLEMKEWICZ: Okay.

2 COMMISSIONER ARGENZIANO: The comparisons -- you gave  
3 me the comparisons for JEA and Seminole but without currently  
4 the CEO compensation. So logically in my mind if you're going  
5 to compare, I would want to see the compensation for those CEOs  
6 rather than the ones you couldn't give me.

7 CHAIRMAN CARTER: Do you have the name, do you have  
8 the name of the six companies? Let me -- is that what you're  
9 asking?

10 COMMISSIONER ARGENZIANO: Yes. And the same  
11 results -- if we're going to use this chart as a basis, then  
12 give me a basis. What you're telling me is that JEA and  
13 Seminole were similar in revenues, similar in number of  
14 employees, number of customers, but you don't have the data.  
15 So now where did you get the data from and are they similar?  
16 Because that would mean to me -- that's how I'd base it. You  
17 know, I'd need that information to make that conclusion.

18 CHAIRMAN CARTER: Let's, Commissioners, let's take  
19 five, give staff a minute to get the paperwork together, and  
20 let's see if we can round up that information.

21 COMMISSIONER ARGENZIANO: Okay.

22 CHAIRMAN CARTER: Commissioner Edgar.

23 COMMISSIONER EDGAR: Thank you, Mr. Chairman. I  
24 just, I have one question I wanted to ask and I'm just thinking  
25 that maybe staff could work at it at the same time, if it's



1 okay to just put that out there.

2 CHAIRMAN CARTER: Okay. Yeah. While they're working  
3 on that.

4 COMMISSIONER EDGAR: We've been talking about the  
5 impact on consumers of rates, which is important to everyone.  
6 And so my question is the adjustment that is recommended in  
7 Issue 99, if that were to be denied, what would be the impact  
8 on rates? And then also I want to try to put that in context  
9 related to what would be the impact on rates to customers if  
10 the ROE recommendation were to be changed. And if staff could  
11 maybe think that through also, and we can discuss it when we  
12 come back from break, Mr. Chairman.

13 CHAIRMAN CARTER: Commissioner Argenziano.

14 COMMISSIONER ARGENZIANO: And I would like also the  
15 staff, the adjustment on the -- if -- excuse me. If Issue 99  
16 were approved, I would like to know the impact to the consumer  
17 if the, if the rate, if the raises are for the executives to go  
18 up, what will that impact be on the consumer? And I think that  
19 would be pertinent, also.

20 CHAIRMAN CARTER: Okay. Anymore before we take a  
21 break? Commissioner Skop.

22 COMMISSIONER SKOP: Thank you, Mr. Chair.

23 I think, and staff might be able to clarify this, but  
24 perhaps that supplemental sheet and the sensitivities that they  
25 passed out I think may encompass the impact of the salary

1 increase from Issue 99. Because the only thing that changed  
2 was the ROE sensitivity on there. So that might already be  
3 reflected in the rates.

4 I think the corollary to what Commissioner Argenziano  
5 and maybe the question that's not answered is what would the  
6 impact be, and I think Commissioner Edgar asked this, what the  
7 impact would be if the salary increase were to be stripped out  
8 or the rate reduction, so.

9 CHAIRMAN CARTER: Hang on a second, boys and girls.  
10 Let's do this. Let's get everything straight. Staff, we're  
11 going to take five minutes, let you guys get -- you've heard  
12 the questions from the Commissioners. Get all the facts  
13 together, get your paperwork together, and so when we come back  
14 on we can deal with that. Okay? So let's take -- we're on  
15 recess.

16 (Recess taken.)

17 We are back on the record. In our last episode we  
18 had the train coming -- oh, that was a different show, wasn't  
19 it? Staff, you're recognized.

20 MR. SLEMKEWICZ: Okay. I'll start off with what the  
21 adjustment would be. We would reduce expenses by \$41,225. And  
22 that, the rate impact of that on a residential --

23 CHAIRMAN CARTER: Hang on a second. Let's get in our  
24 proper procedure here now. You are addressing Issue --

25 MR. SLEMKEWICZ: 99. I'm sorry.

1 CHAIRMAN CARTER: Okay. All right. Let's go. Okay.  
2 So we're all on the same page.

3 MR. SLEMKEWICZ: And the adjustment would reduce  
4 operating expenses by \$41,225 if we eliminated the executive  
5 salary increase, and that would have the effect of  
6 approximately an 8-cent per kilowatt hour or on the -- an  
7 8-cent decrease in the total monthly bill for the residential  
8 customer.

9 Commissioners? Commissioners?

10 Commissioner Edgar, you're recognized.

11 CHAIRMAN EDGAR: Thank you. And I had asked the  
12 question also about the impact on customers similarly for a  
13 proposed ROE increase.

14 MR. SLEMKEWICZ: If the --

15 CHAIRMAN CARTER: And that would be Issue 62.

16 MR. SLEMKEWICZ: That's Issue 62. And the difference  
17 would be the, based on the staff recommendation the dollar  
18 increase in the customer's bill would be \$6.29 if you, at  
19 10.25 percent ROE. If you made the ROE 11.5 percent, that  
20 would increase to \$6.94.

21 COMMISSIONER ARGENZIANO: Mr. Chair.

22 CHAIRMAN CARTER: Commissioner Argenziano.

23 COMMISSIONER ARGENZIANO: That is the current rate,  
24 the 11.5.

25 MR. SLEMKEWICZ: The 11.5. Yes, ma'am.

1                   COMMISSIONER ARGENZIANO: Right. And the rates are  
2 kept relatively low for that company; am I correct?

3                   MR. SLEMKEWICZ: Yes.

4                   COMMISSIONER ARGENZIANO: Okay. Thank you.

5                   CHAIRMAN CARTER: Commissioner Edgar, you're  
6 recognized.

7                   COMMISSIONER EDGAR: And I'm not sure who to pose  
8 this to, but is it the shareholders that receive, that  
9 generally make the decisions that impact the rate, impact rates  
10 or senior executives?

11                   MR. SLEMKEWICZ: Senior executives and the board of  
12 directors. You know, the board of directors are elected by the  
13 shareholders, but it's the board of directors and the senior  
14 management.

15                   CHAIRMAN EDGAR: Thank you. And I guess that's,  
16 that's why I'm kind of struggling with these two issues, and I  
17 do see them as being very related. You know, realizing that an  
18 11.5 ROE gives a range in basis points of 10.5 to 12.5, which  
19 does seem to me to be a little bit high, realizing the current  
20 state of the cost of capital and capital markets, but more  
21 importantly that retaining it at the current level versus the  
22 staff recommendation would be a benefit, as I understand it, to  
23 shareholders. And it's, it's that impact on shareholders  
24 versus impact on consumers is what I'm kind of grappling with.  
25 And 8 cents a month just doesn't really give me pause, so thank

1 you.

2 CHAIRMAN CARTER: All right. Commissioner  
3 Argenziano, then we will go to Commissioner McMurrian.

4 Commissioner Argenziano.

5 COMMISSIONER ARGENZIANO: And I guess the history of  
6 the company, I need to ask you, has been probably very low  
7 bills, some of the lowest in the whole state. And in order to  
8 keep the company doing business and keeping a low monthly bill  
9 the company has to be healthy also. Is that, is that true? Is  
10 that how we do things?

11 MR. SLEMKEWICZ: I mean, you have to keep the company  
12 healthy.

13 COMMISSIONER ARGENZIANO: The company has to be able  
14 to -- and --

15 MR. SLEMKEWICZ: But part of the low bill was they  
16 had very low purchased power expense, which has now, you know,  
17 increased dramatically. The, I think the regular operations of  
18 the company have always been, you know --

19 COMMISSIONER ARGENZIANO: They've been very  
20 efficient.

21 MR. SLEMKEWICZ: -- they've been fairly frugal in  
22 operating and efficient in operating their company.

23 COMMISSIONER ARGENZIANO: Uh-huh. Uh-huh. And  
24 that's something I think is to be commended. I think that's a  
25 great thing because prices, electric prices around the state

1 are so high.

2 But going back to the compensation for executives,  
3 that can be done. The way we're proposing it, even though it's  
4 a small, and I'm glad to see that because now I have something  
5 in front of me that tells me about the CEOs' comparable  
6 salaries in different companies, and it is relatively low on a  
7 monthly bill for a consumer. It can also be very low to the  
8 shareholder and it can be an expense that the, that comes out  
9 through the ROE or some place else. Is that not correct?

10 MR. SLEMKEWICZ: Well, whatever expenses we don't  
11 allow and they still incur that are paid for by the  
12 stockholders.

13 COMMISSIONER ARGENZIANO: Uh-huh. So it's really  
14 just a different approach that maybe my fellow Commissioner may  
15 have that I have, but it can be done that way instead of  
16 through the rate base.

17 MR. SLEMKEWICZ: That's correct. But, again, you  
18 know, the company doesn't receive any compensation for that.

19 COMMISSIONER ARGENZIANO: Right. And sometimes -- it  
20 gets to the point I guess maybe, and this is just my comment,  
21 that how much is enough for a CEO's compensation? And that's  
22 just my personal opinion. It's just gotten kind of out of  
23 touch. This company has been a good company. And it's  
24 probably true that their salaries are low, but they can also  
25 remedy that in a different fashion, and that was my point.

1 CHAIRMAN CARTER: Okay. Thank you, Commissioner.

2 Before I go to Commissioner McMurrian, Commissioners,  
3 I -- sometimes the best laid plans --

4 COMMISSIONER ARGENZIANO: Chairman?

5 CHAIRMAN CARTER: Yes, ma'am.

6 COMMISSIONER ARGENZIANO: Can I ask Roberta if she  
7 has a problem? Because I noticed several times, Roberta, that  
8 you've made very strange expressions when I or another  
9 Commissioner have made comments. And I just want to ask you  
10 right out front, do you have a problem?

11 MS. BASS: Absolutely not, Commissioner.

12 COMMISSIONER ARGENZIANO: Okay.

13 MS. BASS: You know, everyone approaches it in a  
14 different fashion.

15 COMMISSIONER ARGENZIANO: Great. I just noticed  
16 really strange expressions on your face after I make comments  
17 and I just wanted to make sure that you didn't have a problem.

18 MS. BASS: Absolutely not.

19 COMMISSIONER ARGENZIANO: Okay. Very good.

20 COMMISSIONER EDGAR: I would note that I've seen many  
21 strange comments at agenda over the course of the last few  
22 years.

23 COMMISSIONER ARGENZIANO: Is this yours?

24 CHAIRMAN CARTER: No.

25 COMMISSIONER ARGENZIANO: Somebody left a phone in my

1 chair.

2 CHAIRMAN CARTER: Hey, maybe, maybe somebody is  
3 bugging you. You know, it's like, what is it, it's the FBI,  
4 the DHS. Who's the people that bug you? You know what I'm  
5 saying? They plant bugs. Not the bugs that crawl, but you  
6 know what I'm saying, the listening device. Help me out  
7 somebody.

8 Anyway, okay, let's bring this back around here, boys  
9 and girls. Here's -- Commissioners, what I thought we would do  
10 when I kind of delineated a lot of the issues that have been  
11 stipulated to and I thought we'd kind of bring things in and  
12 just kind of deal with the couple that were there. But let's,  
13 let's do this. Let's continue, go through and find out what  
14 issues there are questions or concerns about, and then we'll  
15 come back at the end and deal with the motions and things of  
16 that nature. Okay?

17 So with that, Commissioner McMurrin, you're  
18 recognized.

19 COMMISSIONER McMURRIAN: Thank you. I had another  
20 follow-up question on the executive salaries.

21 CHAIRMAN CARTER: We left that one. Just kidding.

22 COMMISSIONER McMURRIAN: Oh, did we leave that one?

23 (Laughter.)

24 With respect to the executive salary for FPUC, and I  
25 think we talked about this in the meeting we had, but I just



1 want to make sure it was right. The executives for this  
2 company, where are they located?

3 MS. BROWN: They're located in West Palm, I think.

4 COMMISSIONER McMURRIAN: Okay. I just wanted to --  
5 Commissioner Argenziano, I agree that that salary is kind of  
6 high for Marianna. But when we, when we had our meeting, and I  
7 know it's not in the rec here, but we talked about, you know,  
8 some of these salaries being somewhat high for that, for that  
9 area. But for West Palm I think that that's probably not that  
10 high. And, again, I kind of go back to looking at the average  
11 of those six companies and now we've got the breakdown, and  
12 there's some, of course, that are a little bit lower. I think  
13 I only see one out of those six companies though that's lower,  
14 and I think that one company is a little bit smaller, maybe a  
15 good bit smaller than FPUC. So it seems reasonable to me in  
16 comparing to this average of six companies and then seeing the  
17 breakdown that we have before us now, so I guess I believe that  
18 we should have a salary adjustment.

19 And the other thing I wanted to mention was on  
20 Issue 98, on Issue 98 there was an adjustment, I believe, and I  
21 wanted to get clarification from staff, but an adjustment to  
22 the salaries and employee benefits for the other employees.  
23 And I realize there's a reduction there to what was in the  
24 MFRs, but isn't, isn't there still an increase in the salary  
25 adjustments for the other employees?

1 MS. KAPROTH: Yes, there is.

2 COMMISSIONER McMURRIAN: And how does it compare  
3 to -- it seems like, I think in Issue 99 it was somewhere there  
4 was a comparison of how much the salaries were going to be  
5 increased for the executives versus the rank and file, I think,  
6 is how it's stated. It is at the bottom of 121.

7 MS. KAPROTH: Right. That's correct. The executive  
8 salaries were increased by \$51,530 and the rank and file  
9 employees' salaries were increased by \$49,980.

10 COMMISSIONER McMURRIAN: And those employees -- I'm  
11 sorry, Chair. Is it okay if I --

12 CHAIRMAN CARTER: You're recognized.

13 COMMISSIONER McMURRIAN: Okay. And those employees,  
14 some of those employees would be in Marianna and Fernandina  
15 Beach and some might even be in West Palm as far as the rank  
16 and file that's --

17 MS. KAPROTH: Yes. It's in all divisions.

18 COMMISSIONER McMURRIAN: Okay.

19 MS. KAPROTH: And also the salary survey is -- and  
20 it's in the record that this brings the rank and file salaries  
21 up to market.

22 CHAIRMAN CARTER: Commissioner Argenziano.

23 COMMISSIONER ARGENZIANO: Well, to that point, if  
24 you're reducing their medical benefits by, what was the  
25 percentage, there's a \$4,161 reduction to medical benefits,

1 what does that then pan out? Then the increase to the  
2 employees, then you have to kind of offset that. That's how  
3 I've always watched that in the legislative process. We'd do  
4 the same thing. You take away a benefit and then give a cost  
5 of increase and it really didn't add up. So I really don't  
6 know what the benefit is to, what the actual percentage is to  
7 the, to the rank and file, the guys out there. It reflects as  
8 a 5 percent not reducing the health benefit. And, of course, I  
9 know it's different categories but it's still a reduction. I  
10 don't know that the employee is actually getting ahead that  
11 much.

12           But on the other issue, too, I guess over the past  
13 three years -- I'm not sure. I did this quick calculation.  
14 It's a 34 percent increase for the executive salaries. And,  
15 Commissioner McMurrin, I agree with you, I think they are low  
16 in comparison. But at what point -- I mean, these executive  
17 salaries are what's contributing in many cases in the larger  
18 areas too to the higher rates for consumers, and at what point  
19 is enough enough? And I guess that's my own personal view,  
20 even though I do agree they're low in comparison. But -- and I  
21 guess the 34 percent increase for the executive salaries in the  
22 past three years, two years plus this year would be 34 percent.  
23 And to the employees, I really don't know what the increase is.  
24 We're saying 5 percent now, and, of course, there's so many  
25 more employees given the \$49,000 increase -- I think it was

1 \$4,900 increase or \$49,000 increase? I'm sorry.

2 MS. KAPROTH: The increase for the rank and file  
3 employees was \$49,980.

4 COMMISSIONER ARGENZIANO: Okay. And that does not  
5 reflect the reduction, I mean, in the healthcare benefit. I  
6 mean, what we're really giving them is an increase. And do we  
7 know offhand when the employees got the last increase without  
8 any other kind of reduction, if you know offhand? If not --

9 MS. KAPROTH: I would have to check into that and get  
10 back to you.

11 COMMISSIONER ARGENZIANO: Okay. Okay. But in effect  
12 over the past three years given this increase to the executive  
13 salaries, even though I grant they are low, it's a 34 percent  
14 increase versus a less than probably 5 percent increase to the  
15 rank and file.

16 MS. BROWN: Commissioner, and staff can correct me if  
17 I'm wrong, but I think the rationale for that was that the  
18 executives needed to go that far to get to market and the rank  
19 and file employees were already receiving salaries that were at  
20 market. So that's the rationale for that percentage.

21 COMMISSIONER ARGENZIANO: Right, and I understand  
22 that. And that's why I said my personal opinion probably was  
23 that there comes a point that, you know, the consumer winds up  
24 paying for those very high CEO salaries. And I know market and  
25 all that stuff, but in the real world where I choose to live

1 it's very difficult for consumers to keep footing the bills for  
2 CEOs, even though I know there has to be, you know, some kind  
3 of comparison. Just at this point I think that I prefer not to  
4 see the CEOs get an increase, and that's just my opinion which  
5 I am entitled to. Thank you though. I appreciate your  
6 answers.

7 MR. SLEMKEWICZ: I just want to point out on  
8 Issue 98, that adjustment is for a correction for, it appears  
9 that the salaries were over-projected. So we're just taking  
10 out the effect on salary and benefits because of the  
11 over-projection. It's not that we're taking anything away.

12 COMMISSIONER ARGENZIANO: It's still a reduction in  
13 what they're receiving now; right?

14 MR. SLEMKEWICZ: Right.

15 COMMISSIONER ARGENZIANO: Okay.

16 CHAIRMAN CARTER: That, that goes to what I was  
17 inartfully explaining earlier, Commissioners.

18 CHAIRMAN EDGAR: Mr. Chairman, I'm sorry.

19 CHAIRMAN CARTER: One second. Hang on a second.

20 COMMISSIONER EDGAR: I apologize. I don't think that  
21 was the right answer.

22 CHAIRMAN CARTER: Hang on a second. Hang on a  
23 second. We'll get to that in a second.

24 Here's, here's what I was inartfully saying earlier,  
25 while staff is getting ready to give you a response to your

1 question, is that in a lot of these issues there are fallouts.  
2 Let's say for an example when we had the modification  
3 initially, staff gave a recommendation on change on Issue 43.  
4 On that the implications hit Issues 61, 117, 120, 126, 118. So  
5 a lot of -- you know, when we do this, it kind of has all kinds  
6 of implications and all like that. So we're just kind of -- I  
7 just want to kind of let us be thinking about that as we go  
8 through this. And, staff, you're recognized. Commissioner  
9 Edgar's question.

10 COMMISSIONER EDGAR: Excuse me. Could you clarify on  
11 98 the increases? Because with the discussion of the  
12 adjustment and not and to current and to -- I just got a little  
13 confused.

14 MS. KAPROTH: The difference of the \$4,161 is not a  
15 decrease to any medical expenses. The difference is between,  
16 as the recommendation says on Page 120, the difference between  
17 the two numbers of \$32,089 and the \$27,927, and this is based  
18 on Exhibit 85 which I do not have.

19 COMMISSIONER EDGAR: Thank you.

20 CHAIRMAN CARTER: Thank you. Commissioner Skop,  
21 you're recognized.

22 COMMISSIONER SKOP: Thank you, Mr. Chair. I've been  
23 listening to the discussions. I guess it's probably  
24 appropriate to kind of chime in. I guess I would agree with,  
25 with both what Commissioner Argenziano has said and

1 Commissioner McMurrian to the extent that I do believe that the  
2 executive salaries are below market for the executive  
3 compensation.

4           The question on how you bring somebody back up to  
5 market has very different interpretations. You know, you can  
6 do it in large increments, as I think we've seen by 11 percent  
7 increases on an annual basis. You can do it in smaller  
8 increments. But I put that in contrast also to the discussion  
9 that Commissioner, the point Commissioner Argenziano raised,  
10 which is also reflected in the staff recommendation about the  
11 discussion about, you know, who's giving -- on a  
12 proportionality basis are you rewarding the executives to the  
13 detriment of the rank and file? I think that's important  
14 because, again, the rank and file members are the ones that  
15 bring efficiency to the company also.

16           I guess where I'm at on this is the board sets  
17 executive compensation, and to the extent here we're just  
18 basically allowing the company to recover what is fair and  
19 reasonable. I mean, the board could choose to pay the  
20 executives much higher salaries if they wanted to. It's just a  
21 question of whether they can pass muster coming through the  
22 Commission.

23           But I would also note that with respect to the return  
24 on equity, you know, that drives the weighted average cost of  
25 capital and the overall return and, you know, that gives the

1 board discretion to do various things. I'm not opposed to  
2 supporting the staff recommendation on Issue 99. I do think  
3 it's important to bring executives up to market parity.

4 My only concern, I think, would be, as Commissioner  
5 Argenziano properly raised, would be, you know, the  
6 disproportionality of are you rewarding the executives over and  
7 above the rank and file who may be not getting any increases in  
8 the current business environment that we're in today for most  
9 companies? But also to the percentage increase because you  
10 can -- it's one thing to recognize that you're below market and  
11 you have a plan to bring people to market. It's another to  
12 recover the quantum leaps to kind of get there. I mean, the  
13 board can set that executive compensation to any amount it  
14 deems appropriate. But, again, from a recovery perspective I  
15 think it's a tradeoff whether you just allow the pass-through  
16 or you say, no, we're going to do it over a longer period of  
17 time, which, again, as Commissioner Edgar has pointed out,  
18 there's negligible rate impact on the, on the consumers as a  
19 result of absorbing that.

20 But, again, I think the inequity argument raised by  
21 Commissioner Argenziano is certainly valid to the extent that  
22 we want the company as a whole to perform well, and that  
23 depends on the backs of its employees that ought to be, you  
24 know, treated appropriately, so.

25 CHAIRMAN CARTER: Thank you.



1           Commissioners, we have been discussing at length  
2 Issues 62 and 99. And then before going to another issue I  
3 want to make sure that we've all had an opportunity to be heard  
4 on that issue, on those issues.

5           Commissioner Skop, you're recognized.

6           COMMISSIONER SKOP: Thank you. And, again, I think  
7 it's old age because I tend to lose my train of thought, but  
8 the one thing I would point out, too, and note for the  
9 discussion based on the sample survey that, that staff provided  
10 is that the FPUC could be distinguished in some regard from the  
11 sample to the extent that they only provide distribution  
12 function as opposed to some of the others that are in the  
13 sample that actually provide transmission or, or whatever. So  
14 I guess it's a hodgepodge. But it is good to have reference  
15 data, and I do think that there is some support for the  
16 suggestion that the salary lags market, but it's just a  
17 question of how you seek recovery of that.

18           CHAIRMAN CARTER: Thank you, Commissioner.

19           Also an oversight, Commissioner McMurrian had  
20 mentioned Issue 98. I didn't want to gloss over that if there  
21 are any discussions further on Issue 98.

22           Commissioner McMurrian, you're recognized.

23           COMMISSIONER McMURRIAN: I have one more because the  
24 earlier discussion just confused me. Let me ask it this way.  
25 Are the rank and file employees as a result of this rate case,

1 if what the company has asked for is approved even with a  
2 reduction of \$4,161, are the rank and file employees going to  
3 be getting an increase in salary?

4 MS. KAPROTH: Yes. And it's, it's depending on their  
5 position and it is within a range.

6 COMMISSIONER McMURRIAN: Okay. Follow-up, Mr. Chair?

7 CHAIRMAN CARTER: Yes, ma'am.

8 COMMISSIONER McMURRIAN: I think somewhat, it's  
9 somewhat confusing because it looks like the timing of the  
10 salary survey, maybe it came in after we started down the rate  
11 case and then there's some -- anyway I'm just trying to go back  
12 and forth here and trying to figure out what question I have.

13 The \$4,161 is the, I can see it's the difference  
14 between \$32,089 and \$27,927. What was filed -- what was the  
15 number that was filed in the MFRs? What was the number for the  
16 salary increases that was, that was filed? This is on Page 120  
17 in that next to the last paragraph. Because I'm trying to get  
18 at what actually is going to be the increase for the rank and  
19 file employees. I kind of hate calling them rank and file  
20 employees, but that's what's in here. And if we need to come  
21 back, Mr. Chairman --

22 CHAIRMAN CARTER: What does that mean anyway, rank  
23 and file? What is that? That's kind of like disgruntled  
24 employee.

25 COMMISSIONER McMURRIAN: I don't mean it to be

1 derogatory, but it is in here.

2 CHAIRMAN CARTER: Why is it disgruntled? You know,  
3 when a guy is disgruntled, he's the one that, you know, he's  
4 the bad -- but this means anti, so it should be like a happy  
5 guy, right, a happy camper?

6 No problem.

7 COMMISSIONER McMURRIAN: If they need some more time  
8 and we come back to that later, that's fine. I'm just  
9 confused.

10 CHAIRMAN CARTER: Okay. If we can kind of get their  
11 attention for a second.

12 Staff. Commissioner Argenziano, you're recognized.

13 COMMISSIONER ARGENZIANO: Just while they're getting  
14 the data that Commissioner McMurrrian asked for, I would also  
15 like to know, I guess, just so I finalize it in my mind, and  
16 not given the market where they are and market salaries or  
17 anything else, just what is the percentage of increase for the  
18 executive salaries and what is the percentage of increase for  
19 the employees' salaries? And they may need some time for that,  
20 so.

21 CHAIRMAN CARTER: Okay. You guys can -- can we, can  
22 we press on to some other stuff while you guys are working on  
23 that? Is that all right? Okay. All right.

24 Commissioners, why don't we do this. Give staff an  
25 opportunity to kind of collect their thoughts on issues that

1 fall out from Issues 98, 99, 62. We'll come back to, I believe  
2 right now it's -- let's see if there are other issues that we  
3 have questions on and we can kind of come back around on that.

4           Commissioners, any further questions? Any further  
5 questions on any further issues? We're in question, we're in  
6 our question phase. Any further questions?

7           Okay. All right. Then hearing none, then I assume  
8 that we don't have any questions on any of the other issues  
9 aside from Issues 62, 98 and 99.

10           Okay. Let's do this. Let's give staff --  
11 Commissioners, let's do this, Commissioners. I see -- we call  
12 it ciphering in South Georgia, but, you know, some people may  
13 use an abacus. What do you call those things where you -- a  
14 calculator, yeah, whatever, calculator is the modern deal, but,  
15 you know, I've run out of fingers and toes. So why don't we do  
16 this. Let's give staff an opportunity to do this and get  
17 things together.

18           Commissioners, this, this may be a good breaking  
19 point for us. Why don't we do this. And, staff, I think that  
20 you've heard the questionings from Commissioners and based upon  
21 your response to me, Commissioners, in regard to any of the  
22 other issues in this case, we're dealing primarily with Issues  
23 62, 98, and 99 and whatever the fallout issues may be from  
24 those. But if that is the case, Commissioners, why don't we  
25 just go ahead on now, this seems like a good breaking point,

1 we'll take lunch, give staff an opportunity to collect their  
2 thoughts and collect their paperwork and do some ciphering.  
3 And we'll come back -- let's do this. Ordinarily I'd take an  
4 hour for lunch, but I'd like for staff to have lunch, too. So,  
5 so why don't we do this. Help me out here. What time?

6 COMMISSIONER SKOP: It's 11:30. 1:00.

7 CHAIRMAN CARTER: 1:00. Thank you very much. We are  
8 on lunch. 1:00. Thank you.

9 (Recess taken.)

10 CHAIRMAN CARTER: We are back on the record, and we  
11 are back on Item 7.

12 And when we last left we were in a discussion,  
13 Commissioners, just to kind of bring us back in for a landing  
14 here, we had distilled it down to three issues, Issues 62,  
15 99, and 98. And at that point when we left we were giving  
16 staff an opportunity to put together some information  
17 regarding -- I believe it was Issue 98. And if everybody is  
18 comfortable with that, we'll have staff to go ahead on and  
19 bring us back around on Issue 98.

20 Staff, you're recognized.

21 MR. SLEMKEWICZ: Okay. On Issue 98, staff has passed  
22 out a sheet of paper that has an explanation of what Issue  
23 98 is really about. And it says in the MFRs the company  
24 included approximately a 5-1/2 percent raise for rank and file  
25 employees. Again, 5-1/2 percent for both 2007 and 2008. To

1 that amount the company added an additional \$32,089 based on  
2 its salary survey study. And what we are doing with our  
3 adjustment is simply reducing the amount of that salary study  
4 adjustment from \$32,089 down to \$27,928. And to do that it is  
5 just reducing that overprojection by \$4,161. And that was even  
6 suggested by, you know, the company witness that we should make  
7 that reduction. So it's not reducing employee salaries, it's  
8 really reducing the overprojection of those salaries.

9           **CHAIRMAN CARTER:** Commissioners, we are into  
10 questions. We are into questions. Any questions,  
11 Commissioners?

12           Commissioner McMurrin, you're recognized.

13           **COMMISSIONER McMURRIAN:** Just one. So the 5-1/2  
14 percent was already -- there was a 5-1/2 percent increase  
15 already built into the MFRs, and then they added to that  
16 another 32,000, and we have adjusted that down by 4,161 for an  
17 overprojection.

18           **MR. SLEMKEWICZ:** That's correct.

19           **COMMISSIONER McMURRIAN:** So whatever the 5-1/2  
20 percent number would be, you would add, I guess, 27,928.

21           **MR. SLEMKEWICZ:** Right. And that would just be for  
22 selected employees to bring them within what they thought the  
23 range was. So it's not spread among all their employees, the  
24 rank and file, it would just be among a few.

25           **COMMISSIONER McMURRIAN:** Okay. So is the 5-1/2

1 percent spread across all their employees?

2           **MR. SLEMKEWICZ:** In the way it is in the MFRs, yes,  
3 it is.

4           **COMMISSIONER McMURRIAN:** So if there were a  
5 percentage it would be something larger, and I realize there's  
6 a caveat that the 32,000 isn't spread over all of them, and  
7 maybe the 5-1/2 percent is not entirely everyone, either. It  
8 probably doesn't include the executives, but it will be  
9 something larger than 5-1/2 percent, basically.

10           **MR. SLEMKEWICZ:** For some employees, yes.

11           **COMMISSIONER McMURRIAN:** For some employees. Okay.  
12 Thank you.

13           **CHAIRMAN CARTER:** Commissioners?

14           Commissioner Argenziano, you're recognized.

15           **COMMISSIONER ARGENZIANO:** Yes. Thank you for the  
16 information, but could you explain to me what OPC's objection  
17 was, as you understand it?

18           **MS. KAPROTH:** OPC had a couple of objections and the  
19 first objection was the fact that the salary survey set ranges  
20 for particular employees of which the salary should be within  
21 that range. And they said, OPC said that they thought that the  
22 salaries should be for specific employees and a specific raise.  
23 Oh, yes, and also the salaries did not go over a whole year,  
24 that it would be a partial year salary increase. Which that  
25 concern we addressed in a number of the other issues. OPC

1 believes that the test year is a set picture in time and that a  
2 full year salary should not be included because of that.

3           **COMMISSIONER ARGENZIANO:** Okay. Thank you.

4           **CHAIRMAN CARTER:** Commissioners, we are into  
5 questions. Commissioners -- on either 62, 98, or 99.

6           Commissioner Edgar, you're recognized.

7           **COMMISSIONER EDGAR:** Thank you.

8           I do have a question going back to Issue 62. Okay.  
9 And I guess I'm going to, Mr. Maurey, look to you to start with  
10 anyway. When staff briefed me on this, and you and I and  
11 others discussed it prior to agenda, one of the points that we  
12 discussed and that you laid out as my understanding of part of  
13 the analysis and towards your recommendation was the fact that  
14 this company is a T&D company and does not have generation and  
15 does not have, to my knowledge, the need or proposals requiring  
16 a large insurgence of capital in the next few years. And so I  
17 guess what I would like you to do is -- well, tell me if I have  
18 described that accurately, and then maybe elaborate on those  
19 points.

20           **MR. MAUREY:** Yes. This is a transmission and  
21 distribution-only utility. It does not have to build  
22 generation. You're right, it gets its power through purchased  
23 power agreements. There will be some capex expenditures for  
24 storm strengthening/storm hardening programs, but those are  
25 captured or addressed here in these stipulations. But that was



1 the point that this was different from some of the other  
2 utilities in the state that do have very large capex programs  
3 coming up in the next five to ten years.

4           **COMMISSIONER EDGAR:** Thank you. And if I may just  
5 elaborate.

6           **CHAIRMAN CARTER:** You're recognized.

7           **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

8           Commissioners, one of my concerns is, and I realize  
9 this would be for discussion, and actually I would be very  
10 appreciative of your thoughts, each of you on this point or  
11 this question that I'm trying to think through, which is  
12 realizing that the other IOUs that do have generation and do  
13 have large capital requirements projects over the next few  
14 years may be coming in at some point with settlement agreements  
15 and stipulations ending, and all of that, if we were to set the  
16 ROE for this company at 11.5 on a go-forward basis, would that  
17 be a precedent, or how would that interact with our decisions  
18 in the future, realizing that we will have these other  
19 companies that do have, in my mind, much riskier projects by  
20 virtue of the future need and simply by the virtue of the way  
21 they are formed. And so that is one of the points I'm trying  
22 to think through, and I really would appreciate your thoughts.

23           **CHAIRMAN CARTER:** Commissioners?

24           Commissioner Skop, you're recognized.

25           **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

1           I think each individual rate case stands on its own  
2 merits, I think, from a policy perspective. Some of the  
3 arguments have been raised today. It's very important, I  
4 think, as my colleagues would agree, for Florida to have a  
5 stable regulatory environment.

6           One of the concerns that I raised and also expressed  
7 with staff was the fact that they are just a distribution, as  
8 opposed to a full generating utility, and that would weigh, you  
9 know, perhaps towards less risk. The fact that they are a  
10 smaller undercapitalized raised against more increased risk, so  
11 you can do pro/con on a whole bunch of different things.

12           With respect to how additional rate cases may be  
13 treated or other utilities that may be coming in in the future,  
14 I would be apprehensive to get into that too much, and maybe I  
15 would look to the legal staff, because I would hesitate against  
16 giving an advisory opinion on how we might rule on something  
17 that is not yet before us.

18           But just generally speaking, I think it is very  
19 important, you know, to reflect upon the fact that the  
20 decisions we make in rate cases will have a substantial impact  
21 on the creditworthiness and credit quality of the utility and  
22 also their ability to attract capital. And at least in my  
23 concern on Issue 62, and that's why I asked staff to do the  
24 sensitivity analysis that they distributed, because, again,  
25 just by exercising their independent judgment, which I respect,

1 because certainly they are in the range of what the evidence  
2 before the Commission supports in that regard.

3 But in looking at my analysis, based on the evidence,  
4 and looking at the CAPM model, and the sensitivities, there is  
5 a lot of discretion in all the models that go into that, but at  
6 the end of the day if the utility has performed well, although  
7 perhaps trends nationally may be trending down in terms of  
8 return on equity, the flip side of that is that interest rates  
9 have been pretty low, and in our recessionary environment that  
10 could change in a heartbeat, like based on what we say in the  
11 late '80s, early '90s where you had hyperinflation. Suddenly,  
12 you know, you are faced with a situation where the return on  
13 equity that you set is insufficient to support what the  
14 required returns would be, and it falls outside of the  
15 basis-point analysis, which would predicate the utility coming  
16 back in for an interim adjustment and/or a different rate case.  
17 And that is an expenses to the consumer, also.

18 So I think when I ran those numbers with staff in  
19 terms of what the cost of this rate case would be, it was about  
20 \$600,000. If you look at the cost of the revenue requirement  
21 associated with the ROE reduction, and moving that back up,  
22 that is only 315,000. So, again, there is not a whole lot of  
23 impact. The impact of coming back in for a rate case for  
24 undersetting the return on equity would also be felt by the  
25 consumer with increased or additional rate case costs.

1           So at least on my analysis, I'm pretty comfortable,  
2 based on the CAPM and the justification provided by the  
3 company, you know, and the motion, I think, on the table which  
4 I was willing to second from Commissioner Argenziano was to  
5 leave it basic and stable at the current ROE of 11.5. And I  
6 recognize there could be some suggestion to reduce that  
7 slightly, but if I were to look in that, you know, it would be  
8 a de minimis basis-point adjustment if I were to do so at all.  
9 I'm pretty set on the 11.5, but I would emphasize that's based  
10 on the merits of this case alone, and I wouldn't read anything  
11 into it in terms of risk.

12           I recognize that full service utilities that generate  
13 and are undertaking large capital investments may have  
14 additional risk over and above what this company has, but,  
15 again, those are issues that are not before us today, and I  
16 don't think too much one way or another should be read into  
17 that, or I would be apprehensive as I previously stated about  
18 giving an advisory opinion.

19           **CHAIRMAN CARTER:** Commissioner McMurrian.

20           **COMMISSIONER McMURRIAN:** Commissioner Edgar, I  
21 definitely appreciate the question, and I'm having some of the  
22 same concerns. And, I guess, when we talk about whether it  
23 could be a precedent, I think not because I think it is based  
24 on the record we have before us. But at the same time, I know  
25 that we have said that in the past and even attempts in our

1 orders to say this has no precedential effect, it does, and we  
2 have got a lot of people sitting in the room probably that  
3 proves that.

4           So I think that it's a reality that there's some  
5 precedent there and that it may impact even some kind of  
6 settlement negotiations. I think that we will be seeing some  
7 kind of rate case dockets before us with respect to some other  
8 utilities, and whether or not those, you know, take the form of  
9 a settlement, and perhaps this decision could have some impact  
10 on those talks, and I think that I would be incorrect to say  
11 that it didn't. But I do think that the record supports the  
12 range that Andrew mentioned between 9.1 and 11.5, and I will  
13 say that my initial reaction when I read the recommendation was  
14 that it seemed like a large basis-point reduction in an  
15 industry that I see as more risky than less.

16           I really think that it's a riskier industry today  
17 than it was just a few years ago, and I think that that's for a  
18 whole lot of reasons. So I guess my initial reaction was 10.25  
19 seemed low, and Andrew and I talked about this a little bit. I  
20 didn't know what exactly that right number was, and as  
21 Commissioner Skop mentioned the interest rates, I'm a little  
22 concerned -- well, I'm hopeful that interest rates will be  
23 higher again soon and that the market will be doing better.  
24 And perhaps at that point, if we set something too low, FPUC  
25 might need to come back too soon.

1           So I think 10.25 is a little low. I'm not sure  
2 exactly what the right number is, but that just sort of shares  
3 my thinking. And I have also thought about that there is less  
4 risk because they're just a T&D utility and they don't do  
5 generation. And as you have mentioned that some of the others  
6 may have more risk in that area, but they are also smaller and  
7 they have had a lot of rate increases lately which, I think,  
8 has made their jobs a lot riskier, too.

9           So, anyway, that's just my thinking. I'm not really  
10 sure what the answer is, but I hope that helps.

11           **CHAIRMAN CARTER:** Commissioner Argenziano.

12           **COMMISSIONER ARGENZIANO:** I think that when I look it  
13 over and look at the question of the other IOUs in the future,  
14 I just see a such big difference with this company as far as it  
15 having very low rates to begin with and great customer  
16 satisfaction, too. I think that goes a long way.

17           What I'm worried about is that it could be -- you  
18 know, we have to make sure that you do satisfy the fair rate of  
19 return, and I think the other numbers were too low, and I just  
20 don't see it, I don't see the necessity to change that 11.50 at  
21 this time.

22           **CHAIRMAN CARTER:** Commissioner Edgar.

23           **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

24           And I appreciate those thoughts from each of you, and  
25 comments, and I like to be in this position. I think I agree

1 with pretty much all of it. I did feel, as well, that 10.25  
2 when I first looked at it, and I appreciated the different  
3 scenarios that were laid out for us as part of the background  
4 information we were given, and I also appreciate our staff  
5 taking, quite frankly, my words, a conservative eye in their  
6 analysis. I appreciate that. So it is not a criticism at all,  
7 but 11.5 just seems a little high to me recognizing some of the  
8 other factors that we have discussed.

9           And, you know, I love it when we go to customer  
10 meetings and we hear that there are satisfied customers, and  
11 that's certainly from our regulatory role what we want to try  
12 in our own narrow rule to further. But yet realizing all of  
13 the changes in fuel costs, some of that customer satisfaction  
14 may be impacted a little bit as fuel costs continue to go up.

15           My point there being that customer satisfaction as we  
16 all know is so directly related to rates and costs and those  
17 monthly bills. So I think it has been a fantastic discussion,  
18 and, Mr. Chair, of course, I will look to your lead as to  
19 whether we wrap it up here soon or continue it. I don't know,  
20 I realize that a motion and a second has been made and is  
21 pending. Candidly, that motion and second was made before I  
22 had the opportunity to ask some questions and for us to have  
23 some further discussion, so I don't know if my colleagues would  
24 be open to maybe trying to move that number a little bit.

25           I'm supportive of doing something above the 10.25.

1 The 11.5, again, I recognize that that would be a range of  
2 10.5 to 12.5, so I don't know if you would consider sliding.  
3 And I don't know what the magic number is. I don't have one in  
4 mind. I do believe that there is information in the record  
5 that could support any of these scenarios that have been laid  
6 out.

7           And I also, Commissioner Skop, concur and appreciate  
8 your comments about, you know, each case being on the record  
9 before us and each case being taken on an individual basis. I  
10 do also think, though, that every decision that we make sets  
11 some precedent. And we talk about regulatory certainty, and I  
12 do think that the number that we choose on this particular  
13 specific item may, indeed, have some impact down the road in  
14 some other future cases, perhaps in some intangible way.

15           So, again, the motion and the second was made before  
16 I had the chance to ask some questions. We have had a lot of  
17 good discussion since then, so I don't know if there would be  
18 the possibility of reopening that number, and I would just put  
19 that out there for any further discussion or not as the Chair  
20 sees fit.

21           **CHAIRMAN CARTER:** Well, let's continue our  
22 discussion. Because, I mean, that's where we started, and if  
23 we can answer whatever questions there are, I mean, for any and  
24 all Commissioners on that, and then we can kind of move  
25 forward, from that point forward. But I want to make sure that



1 all Commissioners have an opportunity to have whatever  
2 questions that you have, have them answered. And I know that,  
3 you know, you have had an opportunity, and obviously staff is  
4 here for whatever other questions that any other Commissioner  
5 may want.

6 Let me recognize first Commissioner Argenziano, and  
7 then I will come back, Commissioner Edgar, for some other  
8 questions that you may have. Commissioner Argenziano, you're  
9 recognized.

10 **COMMISSIONER ARGENZIANO:** Thank you, Mr. Chair.

11 In mentioning the company having the low rates and  
12 the good customer satisfaction, the purpose of that was that,  
13 as Commissioner Skop had mentioned, that there would be -- that  
14 we will be doing the same thing in a case-by-case looking to  
15 the same issues, working it the same way in a case-by-case that  
16 came before us in the future. So I think that all of those  
17 things fit in together.

18 And just as Commission Skop had mentioned, that is  
19 what we would be doing in the future. And, of course, because  
20 I'm not inclined to, I guess, up the salaries for the  
21 executives of the company, since we have already in the last  
22 couple of years, and that would be my decision, I looked at the  
23 rate of return at that rate enabling the company then to make a  
24 decision because of that rate of return to maybe be able to up  
25 the salaries a different way and not necessarily have to be on

1 the consumers' back. So that is why I am sticking with that.  
2 But, of course, it is the will of the Commission as a whole.  
3 So if anybody comes up with a suggestion that we, you know,  
4 could entertain, that would be fine.

5           **CHAIRMAN CARTER:** We are in discussion, Commissioner.  
6 And I think that as we say in the country, it is six of one,  
7 half a dozen of the other. And so, I mean, there is no perfect  
8 system yet. We won't be on this plain when we are in the  
9 perfect system. But, again, Commissioners, we are in  
10 discussion on Issue 62.

11           Commissioner Edgar, and then, Commissioner Skop, I  
12 will come back to you. Commissioner Edgar.

13           **COMMISSIONER EDGAR:** Thank you. And, Commissioner  
14 Argenziano, I appreciate those comments and the willingness to  
15 continue to think it through a little bit.

16           On the salary issue, with Issue 99, you know, I could  
17 easily be portrayed, perhaps, as being on the fence, which is  
18 not normally where I'm comfortable. I can see points both  
19 ways. Certainly, it makes everybody happy to get a raise. I  
20 love it when I can give raises, I like to get raises, which I  
21 haven't had in quite a while, by the way. But yet, you know,  
22 we also do send strong signals when we are looking at executive  
23 salaries versus salaries up and down and across and every which  
24 way within any organization.

25           I see some value to perhaps deferring to the decision

1 of the board of directors, but, yet, ultimately this is an item  
2 that is before us and that we need to rule on. So with that  
3 one, again, I can see the arguments both ways, and, you know,  
4 could comfortably go with the decision that was suggested  
5 different from staff recommendation on Issue 99.

6 On Issue 62, again, 11.55 just seems a little high to  
7 me, recognizing some of the things that we have discussed. And  
8 Commissioner Skop has done an excellent job of laying out some  
9 of the factors both ways, and realizing that there is no magic  
10 number. You know, 11 is what kind of feels a little more  
11 comfortable to me. And part of that reason is that high end of  
12 the range; 12.5 just, quite frankly, for this company, albeit  
13 well run and service provided in an effective manner, that  
14 12.5 just gives me some pause still. So I would maybe suggest  
15 11, but, again, I welcome additional thoughts.

16 Thank you, Mr. Chairman.

17 **CHAIRMAN CARTER:** Commissioner Skop, you're  
18 recognized, sir.

19 **COMMISSIONER SKOP:** Thank you, Mr. Chair.

20 And I guess the discussion is good, and I recognize  
21 that procedurally there may not have been adequate opportunity  
22 to voice concerns about the return on equity. I guess, you  
23 know, subject to your discretion and how you would want to  
24 proceed, I mean, we do have a motion and we do have a second.  
25 I'm willing to vote the issue, and if it fails, then we could

1 go forward from there, but I guess there has been good  
2 discussion.

3           **CHAIRMAN CARTER:** Commissioner Argenziano, you're  
4 recognized.

5           **COMMISSIONER ARGENZIANO:** Mr. Chair, since I made the  
6 motion, and there has been good discussion on it, and I  
7 appreciate that, I can amend the motion and ask for a second if  
8 we withdraw the original motion, and amend the motion to  
9 reflect the 11 rather than the 11-1/2. I could live with that.  
10 I think that's fair. So if I could get a second to that.

11           **CHAIRMAN CARTER:** Commissioner Argenziano is willing  
12 to withdraw her motion. Who seconded that? Was that --

13           **COMMISSIONER EDGAR:** I'll second it. Oh, I'm sorry.

14           **CHAIRMAN CARTER:** Are you willing to withdraw your  
15 second to the prior motion, Commissioner?

16           **COMMISSIONER SKOP:** I seconded the prior motion, and  
17 I don't think that I could support the 11, so I would not -- I  
18 think that there are good policy reasons based on the  
19 individual merits of this case, the evidence proffered by the  
20 utilities, as well as OPC. But at least in my mind, the  
21 11 percent would be, as Commissioner McMurrian pointed out,  
22 even getting into too much of a basis-point reduction in my  
23 mind.

24           Again, I do think a de minimis reduction, if that  
25 were to factor into play. Again, I think there is -- you know,

1 certainly being a distribution-only company weighs against, you  
2 know, a higher return because of the risk profile as compared  
3 to a full generating utility, but there are other mitigating  
4 factors, such as the smaller size which weighs towards  
5 increased risk, as I think has been pointed out additional rate  
6 case, plus the cost and expense that would be associated if we  
7 set the rates too low, to the extent that they were in an  
8 underearning posture and we had to go through the whole rate  
9 case, or approval process of an interim adjustment.

10           But to me, I think that 11.5 is a fair and adequate  
11 number. May it be just, you know, a basis point or two too  
12 high, maybe. But, again, I think the utility has performed  
13 well, as Commissioner Argenziano has duly pointed out, they  
14 have kept the rates low, they offer good high quality of  
15 service, and I think that at least my understanding, it's one  
16 of the discretionary factors that Commission has in setting  
17 rates and return on equity is to balance those intangibles and  
18 reward those when appropriate to do so in terms of its  
19 rate-setting ability.

20           And, again, I'm happy with the performance. I look  
21 to other cases that may come before us on their individual  
22 merits under the same criteria. But, in this case, the company  
23 has performed well, it's debatable on what mitigating factors  
24 should be considered or weighed over others, but I'm  
25 comfortable with 11.5, and I didn't think I can support the

1 second on the 11.

2           **CHAIRMAN CARTER:** I want to go to Commissioner  
3 McMurrin first, and then I will come back.

4           Commissioner McMurrin, you're recognized.

5           **COMMISSIONER McMURRIAN:** I guess I would say that  
6 probably in my mind, what I was thinking I would feel  
7 comfortable with was probably 11 or 11.25. And so I would  
8 support a motion changing the staff recommendation to 11. I  
9 mean, consistent with what I said earlier, I felt like 10.25  
10 was too low of a basis-point reduction. I guess 11 feels like  
11 I can be there. And, of course, Andrew and I have talked a lot  
12 about how subjective this is, and I think it is somewhat.  
13 Unfortunately, I'm admitting somewhat of a gut feel in going  
14 from 10.25 to 11. But, again, when I came in after lunch I  
15 felt like I would be comfortable with 11 or 11.25, so I would  
16 support an 11 ROE.

17           **CHAIRMAN CARTER:** Commissioner Argenziano, you're  
18 recognized.

19           **COMMISSIONER ARGENZIANO:** I felt the same way. The  
20 company has been a good company, but there are legitimate  
21 concerns expressed, and I thought in fairness that I would try  
22 to accommodate that and try to move in the middle. And I  
23 appreciate that. But that doesn't diminish what Commissioner  
24 Skop had said about the company, what I think we all feel about  
25 the company. They have done a great job. But I think that at

1 least puts us a far distance from the 10.25, which really I  
2 think made everybody feel a little uncomfortable. So I  
3 appreciate that.

4 **CHAIRMAN CARTER:** So, Commissioners, we are on the  
5 motion by Commissioner Argenziano and seconded by Commissioner  
6 Edgar is 11, is that correct, 11 percent?

7 We have a motion and a second. We're in debate.  
8 We're in debate. Any further debate? Hearing none, all in  
9 favor of the motion let it be known by the sign of aye. Aye.

10 **COMMISSIONER McMURRIAN:** Aye.

11 **COMMISSIONER EDGAR:** Aye.

12 **COMMISSIONER ARGENZIANO:** Aye.

13 **CHAIRMAN CARTER:** All those opposed, like sign.

14 **COMMISSIONER SKOP:** Aye.

15 **CHAIRMAN CARTER:** Show it done.

16 Commissioners, we are now on Issue 98.

17 Commissioner McMurrian, you're recognized.

18 **COMMISSIONER McMURRIAN:** Chairman, I didn't have any  
19 concerns about the staff recommendation on 98 other than just  
20 trying to make sure we were clear about whether or not it was  
21 an increase to what we have lovingly called rank and file  
22 employees throughout this discussion. So I can move staff on  
23 Issue 98, the staff recommendation as is. Just having that  
24 clarification, though, was very helpful to see that they were  
25 getting an increase of the 5-1/2 percent that was already

1 included in the MFRs, and there was also an additional 32,000  
2 proposed that was adjusted by staff to 4,161. That was a  
3 decrease, but still there was a significant adjustment, I  
4 believe, in the salaries for the rank and file consistent with  
5 the salary study that was done.

6           **CHAIRMAN CARTER:** Commissioners, we have got a  
7 motion.

8           **COMMISSIONER EDGAR:** Second.

9           **CHAIRMAN CARTER:** We have a motion and a second on  
10 Issue 98 to adopt staff recommendation. Commissioners, we're  
11 in debate. We're in debate.

12           Commissioner Argenziano, you're recognized.

13           **COMMISSIONER ARGENZIANO:** Well, I think I've pretty  
14 much expressed what I feel about it, but just to get it on the  
15 record again, is that I just think it is the wrong time. I  
16 understand that the comparisons are quite different than other  
17 companies, but it's just the wrong time. And I think that the  
18 increase for the -- I don't know if I want to call them rank  
19 and file anymore. I'm trying to think of another name. The  
20 workers other than the executive offices that are out there  
21 making the system work on a daily basis, I don't know, I guess  
22 I just look at the differences between the executive pay and  
23 the workers' pay.

24           And I understand there are differences, but I think  
25 it is the wrong time given that there were already two and this



1 would be the third for the executives to try to get up to where  
2 other companies are. And I'm not trying to punish the company.  
3 My personal feeling is that there has to be some type of a  
4 limit, I think, at some point because it all comes down to what  
5 is put on the ratepayer, and part of the reason that our rates  
6 are going up so high is because so many CEO salaries are just  
7 way, way, way above what I can consider reasonable for the  
8 customer to have to keep funding.

9           And as I mentioned before, the reason to keep the  
10 rate of return at least at 11 was that it would give the  
11 opportunity for the company then to take care of its executive  
12 pay raises, if that's what they chose to do. And I would much  
13 rather see that get done sometimes by the shareholders than the  
14 customer who just can't seem to afford to pay these large,  
15 large CEO salaries anymore. So that's just my opinion.

16           **CHAIRMAN CARTER:** Thank you, Commissioner.

17           Commissioner Edgar, you're recognized.

18           **COMMISSIONER EDGAR:** Thank you. Well, once again,  
19 I'm in the most enviable position of agreeing with pretty much  
20 everything that I have just heard. When I seconded the motion,  
21 and I want to make sure that I'm hearing right, it was my  
22 understanding that Commissioner McMurrian was making a motion  
23 in favor of Issue 98. And, Commissioner Argenziano, my hearing  
24 of the comments that you have made apply more to Issue 99, and  
25 that I agree with, too.

1                   **COMMISSIONER ARGENZIANO:** (Inaudible. Microphone  
2 off.)

3                   **COMMISSIONER EDGAR:** So if, indeed, Commissioner  
4 McMurrin, you were discussing Issue 98, then my second  
5 absolutely stands and we can move on.

6                   **CHAIRMAN CARTER:** I think 98 is dealing with what we  
7 have been calling rank and file, but it's really the  
8 nonexecutive.

9                   **COMMISSIONER EDGAR:** And I have it right in front of  
10 me.

11                   **CHAIRMAN CARTER:** That's okay, Commissioner.

12                   **COMMISSIONER ARGENZIANO:** But now you know how I feel  
13 on 99.

14                   **CHAIRMAN CARTER:** We have got a motion and a second  
15 on Issue 98. Commissioners, we're in debate. We're in debate.  
16 Hearing none, all in favor of the motion let it be known by the  
17 sign of aye. Aye.

18                   **COMMISSIONER EDGAR:** Aye.

19                   **COMMISSIONER McMURRIAN:** Aye.

20                   **COMMISSIONER SKOP:** Aye.

21                   **CHAIRMAN CARTER:** All those opposed, like sign.

22                   **COMMISSIONER ARGENZIANO:** Aye.

23                   **CHAIRMAN CARTER:** Show it done.

24                   We are now on Issue 99.

25                   Commissioner Skop, you're recognized.

1           **COMMISSIONER SKOP:** Thank you, sir. And I hate to do  
2 this, but -- and, like I say, it will probably fail for lack of  
3 a second, but I would like to move to reconsider Issue 62 and  
4 the 11 percent to return on equity that we just considered.  
5 Again, a 50-basis reduction --

6           **CHAIRMAN CARTER:** I'm sorry, Commissioner, I can't  
7 recognize you. You were not on the prevailing side.

8           **COMMISSIONER SKOP:** Thank you.

9           **CHAIRMAN CARTER:** We're on Issue 99. Who did I  
10 recognize on Issue 99?

11           Commissioner Edgar.

12           **COMMISSIONER EDGAR:** You picked me. (Laughter.)

13           Much in keeping with some of the thoughts that  
14 Commissioner Argenziano just expressed to us, I would make a  
15 motion on Issue 99 to not adopt the staff recommendation.

16           Yes, to not adopt the staff recommendation such that  
17 we would not approve the salary adjustment for the  
18 three executive positions.

19           **CHAIRMAN CARTER:** We have got a motion. Is there a  
20 second?

21           **COMMISSIONER ARGENZIANO:** Second.

22           **CHAIRMAN CARTER:** Commissioner Argenziano, this is  
23 the issue about the executive --

24           **COMMISSIONER ARGENZIANO:** I've got it, Mr. Chair.  
25 I've got it.

1           **CHAIRMAN CARTER:** We have got a motion and a second.  
2 Commissioners, we're in debate. We're in debate. Hearing  
3 none, all those in favor let it be known by the sign of aye.

4           Aye.

5           **COMMISSIONER EDGAR:** Aye.

6           **COMMISSIONER ARGENZIANO:** Aye.

7           **CHAIRMAN CARTER:** All those opposed, like sign.

8           **COMMISSIONER SKOP:** Aye.

9           **COMMISSIONER McMURRIAN:** Aye.

10          **CHAIRMAN CARTER:** Commissioners, now we are on the  
11 remaining issues. Commissioner Edgar, you are recognized for a  
12 motion.

13          **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

14          I would make a motion that we approve all of the  
15 remaining items as recommended in our staff recommendation  
16 before us, taking into account the adjustments that were made  
17 through oral modification, and asking our staff to make any  
18 adjustments that need to be made as followed issues from the  
19 decisions that we have made up to this point.

20          **CHAIRMAN CARTER:** We have got a motion. Is there a  
21 second?

22          **COMMISSIONER McMURRIAN:** I will second it, but Mr.  
23 Slemkewicz looks like he needs to clarify something.

24          **MR. SLEMKEWICZ:** I just wanted to point out which  
25 ones were the fallout issues; Issues 69, 113, 117, 118, 120,

1 and 126, I believe those were all the fallout issues.

2           **CHAIRMAN CARTER:** Okay. We're confident that you can  
3 handle the fallout issues based upon our actions today.

4           Commissioner Skop, you're recognized, sir.

5           **COMMISSIONER SKOP:** Thank you, Mr. Chair. And I  
6 guess we have a motion and it has been properly seconded, but  
7 just before we vote the issue I would just like to commend  
8 staff on the recommendation on Issue 33. I didn't discuss that  
9 in detail, but I thought that that was a very reasonable  
10 approach to resolving the differences of the parties. And  
11 having been in that exact same experience, I can relate to it.  
12 But I'm happy that the transmission problem, or the replacement  
13 transformer got successfully resolved.

14           **CHAIRMAN CARTER:** Commissioners, we've got the  
15 motion. We're in debate. We're in debate on the motion and  
16 the second. We're in debate. Any further debate? Any further  
17 discussion? Hearing none, all those in favor let it be known  
18 by the sign of aye.

19           (Unanimous affirmative vote.)

20           **CHAIRMAN CARTER:** All those opposed, like sign.  
21 Show it done.

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COUNTY OF LEON )

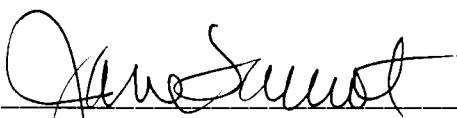
CERTIFICATE OF REPORTERS

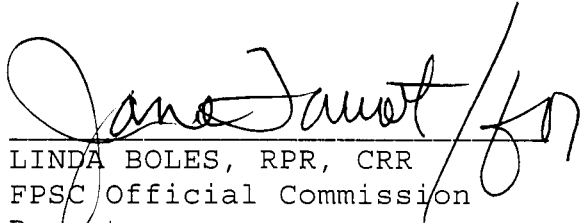
WE, JANE FAUROT, RPR, and LINDA BOLES, RPR, CRR, Official Commission Reporters, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that we stenographically reported the said proceedings; that the same has been transcribed under our direct supervision; and that this transcript constitutes a true transcription of our notes of said proceedings.

WE FURTHER CERTIFY that we are not a relative, employee, attorney or counsel of any of the parties, nor are we a relative or employee of any of the parties' attorneys or counsel connected with the action, nor are we financially interested in the action.

DATED THIS 29th day of April, 2008.

  
\_\_\_\_\_  
JANE FAUROT, RPR  
FPSC Official Commission  
Reporter  
(850) 413-6732

  
\_\_\_\_\_  
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*Handout, Item 7  
April 22, 2008  
Agenda Conference -ac*

FPUC Rate Case  
Docket No. 070304-EI  
4/22/08

*070300-EI  
070304-EI*

Issue 98

In the company's MFRs, it included raises for rank and file employees of approximately 5.5% for both 2007 and 2008. To this amount, the company added an additional \$32,089 based on its salary study.

Staff has reduced the company's salary study adjustment of \$32,089 by \$4,161 to correct an over projection in the salary study as suggested by company witness Martin.

Amount include in MFRs to increase wages for the salary study:	\$32,089
Correct salary study salaries provided by FPUC	<u>\$27,928</u>
Staff Adjustment	<u>\$ 4,161</u>

The corrected salary study calculation:

Total Allocated Salaries \$27,706 x 40 percent	\$11,082
Direct Salary Assignment (100%)	<u>\$16,845</u>
Total Corrected Salary Amount	<u>\$27,927</u>