

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

DOCKET NO. 080006-WS

DATED: OCTOBER 3, 2008

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STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-08-0430-PCO-WS, filed July 1, 2008, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

There are no known witnesses at this time.

b. All Known Exhibits

There are no known exhibits at this time.

c. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

ISSUE 1: What is the most appropriate model or method to estimate a fair and reasonable return on a water and wastewater (WAW) utility's common equity capital?

POSITION: No position at this time.

ISSUE 1A: Should the leverage formula methodology take into account an individual utility's equity ratio in the determination of return on equity?

POSITION: No position at this time.

ISSUE 1B: Should the leverage formula methodology take into account the change to the cost of debt in response to changes in the level of common equity in a utility's capital structure?

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POSITION: No position at this time.

ISSUE 1C: Should the determination of the leverage formula be based on a before-tax or after-tax cost of capital?

POSITION: No position at this time.

ISSUE 1D: Is it appropriate to make a Bond Yield Differential adjustment? If so, how should this adjustment be made?

POSITION: No position at this time.

ISSUE 1E: Is it appropriate to make a Private Placement Premium adjustment? If so, how should this adjustment be made?

POSITION: No position at this time.

ISSUE 1F: Is it appropriate to make a Small-Utility Risk Premium adjustment? If so, how should this adjustment be made?

POSITION: No position at this time.

ISSUE 2: Should the following leverage formula methodology be applied using updated financial data:

$$\text{Return on Common Equity} = 7.36\% + 2.123/\text{Equity Ratio}$$

Where the Equity Ratio = $\text{Common Equity} / (\text{Common Equity} + \text{Preferred Equity} + \text{Long-Term and Short-Term Debt})$

Range: 9.48% @ 100% equity to 12.67% @ 40% equity

POSITION: No position at this time.

ISSUE 3: What is the appropriate range of returns on common equity for water and wastewater (WAW) utilities pursuant to Section 367.081(4)(f), Florida Statutes?

POSITION: No position at this time.

ISSUE 4: Should this docket be closed?

POSITION: If the Commission's final order is not appealed, this docket should be closed upon the expiration of the time for filing an appeal.

e. Stipulated Issues

There are no stipulated issues at this time.

f. Pending Motions

Staff has no pending motions at this time.

g. Pending Confidentiality Claims or Requests

Staff has no pending confidentiality claims or requests at this time.

h. Objections to Witness Qualifications as an Expert

Staff has no objections to witness qualifications as an expert at this time.

i. Compliance with Order No. PSC-08-0430-PCO-WS

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 3 day of October, 2008.


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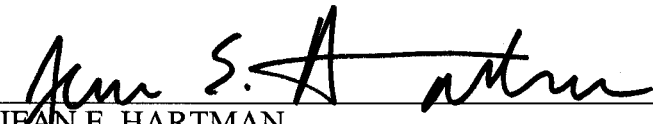
DATED: OCTOBER 3, 2008

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Staff's Prehearing Statement was
furnished to the following, by U.S. Mail, on this 3rd day of October, 2008.

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