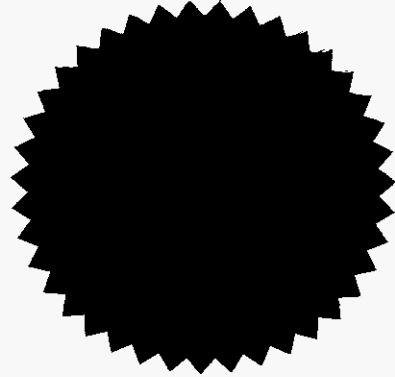


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 100006-WS

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.



PROCEEDINGS:

AGENDA CONFERENCE
ITEM NO. 13

COMMISSIONERS
PARTICIPATING:

CHAIRMAN NANCY ARGENZIANO
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP

DATE:

Tuesday, June 1, 2010

TIME:

Commenced at 2:20 p.m.
Concluded at 2:24 p.m.

PLACE:

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

REPORTED BY:

LORI DEZELL, RPR

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLEAR

P R O C E E D I N G S

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2 **CHAIRMAN ARGENZIANO:** And with that we move to
3 Item 13, and then we're just going to take a
4 ten-minute break in between IA. I know I've let
5 everybody wait for lunch, but I think IA is going
6 to be very quick and it would be better to have a
7 more enjoyable lunch I think after IA.

8 **COMMISSIONER EDGAR:** That's good.

9 **CHAIRMAN ARGENZIANO:** All right. So we're on
10 Issue 13 as soon as staff can take their seats.

11 **MR. BUYS:** I'm Dale Buys on behalf of
12 Commission Staff. Sitting next to me is
13 Erik Sayler on behalf of staff counsel.

14 Item 13 is staff's recommended water and
15 wastewater utilities leverage formula for 2010. By
16 statute, the Commission has used a water and
17 wastewater leverage formula for determining a
18 reasonable range of returns on equity for water and
19 wastewater utilities for over 25 years. The last
20 time the leverage formula went to hearing was in
21 2008.

22 Using the same methodology approved by the
23 Commission in 2008 proceeding, staff has updated
24 the leverage formula for 2010 to reflect the
25 current financial information.

1 This year the results of the leverage formula
2 produced a range of return on common equity from
3 8.28 for a utility with 100 percent equity in its
4 capital structure to 10.85 percent for a utility
5 with 40 percent equity. With that said, Mr. Sayler
6 and I are available for any questions you may have.

7 **CHAIRPERSON ARGENZIANO:** Commissioner Skop?

8 **COMMISSIONER SKOP:** Thank you, Madam Chair.
9 To staff, so based on the revised leverage formula,
10 at a 40 percent equity ratio the revised results
11 are 45 basis points lower than the existing rates
12 currently in effect; is that correct?

13 **MR. BUYS:** That's correct.

14 **COMMISSIONER SKOP:** Okay. And just one final
15 question. At a -- I think the range that staff
16 uses is a 40 percent equity ratio going up to
17 60 percent; is that correct?

18 **MR. BUYS:** Correct.

19 **COMMISSIONER SKOP:** And at 60 percent equity
20 ratio, what would be the updated returns on equity
21 as well as the cost of capital?

22 **MR. BUYS:** Let me look that up real quick.

23 **COMMISSIONER SKOP:** I'm sorry, just -- yeah, I
24 think you have both of those, or should have both
25 available.

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MR. BUYS: Okay. At 60 percent -- at 60 percent the companies' ROE would be 9.72 percent.

COMMISSIONER SKOP: Okay. And so with respect to the leverage formula, it seems to be correlating well with recent decisions of the Commission in other cases that I won't get into. But what's important to me is that the leverage formula is not all over the place. In this instance it seems to correlate well with previous decisions of the Commission; is that correct.

MR. BUYS: Yes, it does. Yes.

COMMISSIONER SKOP: With comparable equity ratios?

MR. BUYS: Yes.

COMMISSIONER SKOP: All right. Thank you.

CHAIRPERSON ARGENZIANO: I think it was in need of updating. Thank you.

Any other questions or comments? Do we have a motion?

COMMISSIONER SKOP: Madam Chair, I move to approve the staff recommendation on Item 13 for Issues 1 and 2.

COMMISSIONER EDGAR: Second.

CHAIRMAN ARGENZIANO: All those in favor aye.

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(Unanimous.)

CHAIRPERSON ARGENZIANO: Opposed?

Okay. Thank you very much.

(Discussion concluded.)

* * *

CERTIFICATE OF REPORTER

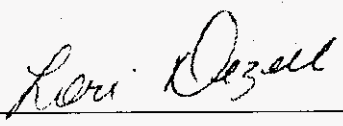
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STATE OF FLORIDA)
COUNTY OF LEON)

I, LORI DEZELL, RPR, CCR, certify that I was authorized to and did stenographically report the proceedings herein, and that the transcript is a true and complete record of my stenographic notes.

I further certify that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

WITNESS my hand and official seal this 3rd day of June, 2010.



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