

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 170006-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.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 5

COMMISSIONERS
PARTICIPATING: CHAIRMAN JULIE I. BROWN
COMMISSIONER ART GRAHAM
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JIMMY PATRONIS
COMMISSIONER DONALD J. POLMANN

DATE: Monday, June 5, 2017

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

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

P R O C E E D I N G S

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2 **CHAIRMAN BROWN:** Item 5.

3 **MR. BUYS:** Good afternoon, Commissioners. I'm
4 Dale Buys with staff.

5 Madam Chair, if I may, I would like to
6 acknowledge that this will be Anwar Archer's last agenda
7 with us. He's accepted a position in an agency in North
8 Carolina, and he will be moving up there, I guess, in
9 the middle of the month.

10 **CHAIRMAN BROWN:** Mr. Archer, we're going to
11 miss you.

12 **MR. ARCHER:** Thank you. I'll miss everyone
13 too.

14 **CHAIRMAN BROWN:** What are you going to be
15 doing up there?

16 **MR. ARCHER:** I'll be working with non-profits
17 and low-income families in budgeting and monitoring.

18 **CHAIRMAN BROWN:** That's good. Love your
19 outfit today too.

20 **MR. ARCHER:** Thank you. Go 'Gators.

21 **CHAIRMAN BROWN:** All right. Thanks.

22 Mr. Archer.

23 **MR. ARCHER:** Okay. I'm Anwar Archer with the
24 Commission staff.

25 Item 5 is staff's recommendation in Docket

1 No. 170006-WS regarding the annual reestablishment of
2 the authorized range of returns on equity for water and
3 wastewater utilities pursuant to Section 367.081 of the
4 *Florida Statutes*.

5 Staff recommends that the leverage formula be
6 approved by the Commission as it was in 2016 and to
7 continue to be used until readdressed. The Commission
8 has approved the same leverage formula for the past
9 six years, and staff believes that the range of returns
10 on common equity currently in place continues to be more
11 reasonable than the range of returns on common equity
12 derived from this year's leverage formula using the most
13 recent financial data.

14 In addition, staff recommends a workshop be
15 scheduled for the fall to review and update, if
16 necessary, the methodology used to determine the
17 leverage formula.

18 At the Commission's discretion, the workshop
19 can either be a formal workshop led by the Commissioners
20 or an informal workshop led by the Commission staff.

21 If any changes to the methodology are made
22 during the workshop, staff can file a new recommendation
23 for the Commission's decision at a subsequent Commission
24 Conference.

25 No customers have been contacted during -- in

1 regards to this docket, and no one has requested to
2 speak on this item.

3 **CHAIRMAN BROWN:** Commissioner Polmann does.
4 Commissioner Polmann.

5 **COMMISSIONER POLMANN:** Thank you, Madam
6 Chairman.

7 I want to express my gratitude to staff. We
8 had good discussion on this item. I had a number of
9 questions which have been addressed.

10 We have mentioned a workshop a couple of
11 times, and I would advocate for a Commission workshop at
12 the appropriate time. We can discuss that further in
13 the future. Thank you very much.

14 **CHAIRMAN BROWN:** Commissioner Graham.

15 **COMMISSIONER GRAHAM:** Thank you, Madam Chair.

16 I -- this is an issue that comes up quite
17 often. We're all quite familiar with it. I don't have
18 a problem with having a workshop that may be noticed so
19 it's open for Commissioners. I don't think it needs to
20 be Commission led. So that way if any of us want to
21 partake, we can do that.

22 **CHAIRMAN BROWN:** Thank you, Commissioner
23 Graham. Any others?

24 I was leaning toward Commissioner Graham's
25 recommendation as well. We've been using this info

1 since 2011, and it does seem to be a little stale. And
2 I had some discussions as well with staff, and you all
3 do a very fine job at this work.

4 Wouldn't it make more sense using a proxy
5 group, though, that is more reflective of the wastewater
6 and water industry in setting the leverage formula?
7 We're using natural gas utilities here, some of which
8 have been consolidated, merged, acquired. A little
9 comment on that.

10 **MR. BUYS:** Yes. The proxy group using the
11 regulated gas utilities was established in the hearing
12 in '01 and then reaffirmed in '08, and that's one of the
13 purposes of the workshop is to look into whether or not
14 we can use a more -- a proxy group that's more
15 reflective of the risks associated with the smaller
16 Florida water companies as mergers and acquisitions have
17 reduced the available number of gas utilities to use in
18 that proxy group.

19 **CHAIRMAN BROWN:** Yeah. I definitely don't
20 think it's an apples-to-apples comparison here. So the
21 workshop would occur in October. And if there is -- say
22 information develops that would lean staff to recommend
23 a change in the leverage formula with the updated
24 information, when would you come back to the Commission?
25 Prior to the start of 2018? Or would you -- because the

1 statute says that we must set the leverage formula at
2 least once a year, at least.

3 **MR. BUYS:** Yes, Commissioner. Yes, Madam
4 Chairman. We could -- after the workshop, if it was
5 decided that we need to update the leverage formula, we
6 could at that time bring it back to the Commission even
7 before 2018 with the updated proxy group or whatever
8 changes we make to the methodology.

9 **CHAIRMAN BROWN:** Thank you.

10 Commissioners, any other questions?

11 If not, I'll entertain a motion. Anyone?

12 **COMMISSIONER GRAHAM:** Move staff
13 recommendation.

14 **COMMISSIONER PATRONIS:** Second.

15 **CHAIRMAN BROWN:** Is there any further
16 discussion?

17 All those in favor, say aye.

18 (Vote taken.)

19 Thank you. The motion passes.

20 Thank you, Anwar. We're going to miss you.

21 **MR. ARCHER:** Thank you.

22 (Agenda item concluded.)

1 STATE OF FLORIDA)
 :
2 COUNTY OF LEON) CERTIFICATE OF REPORTER

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4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I stenographically
9 reported the said proceedings; that the same has been
10 transcribed under my direct supervision; and that this
11 transcript constitutes a true transcription of my notes
12 of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney, or counsel of any of the parties,
15 nor am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 12th day of June, 2017.

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