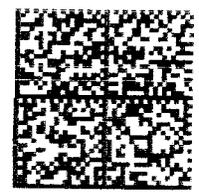


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FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Tuesday, December 16, 2008, 9:30 a.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: December 5, 2008

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (***) next to the agenda item number.

To participate informally, affected persons need only appear at the agenda conference and request the opportunity to address the Commission on an item listed on agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing.

See Rule 25-22.0021, F.A.C., concerning Agenda Conference participation and Rule 25-22.0022, F.A.C., concerning oral argument.

To obtain a copy of staff's recommendation for any item on this agenda, contact the Office of Commission Clerk at (850) 413-6770. There may be a charge for the copy. The agenda and recommendations are also accessible on the PSC Website, at <http://www.floridapsc.com>, at no charge.

Any person requiring some accommodation at this conference because of a physical impairment should call the Office of Commission Clerk at (850) 413-6770 at least 48 hours before the conference. Any person who is hearing or speech impaired should contact the Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD). Assistive Listening Devices are available in the Office of Commission Clerk, Betty Easley Conference Center, Room 110.

Video and audio versions of the conference are available and can be accessed live on the PSC Website on the day of the Conference. The audio version is available through archive storage for up to three months after the conference.

Agenda for
Commission Conference
December 16, 2008

ITEM NO.

CASE

14

Docket No. 080006-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.

Critical Date(s): 12/31/08 (Per Statute, Order must be issued by December 31, 2008)

Commissioners Assigned: All Commissioners
Prehearing Officer: Argenziano

Staff: ECR: Springer, Bulecza-Banks, Livingston, Maurey
GCL: Hartman

(Post-Hearing Decision - Participation is Limited to Commissioners and Staff.)

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?

Recommendation: The most appropriate models to estimate a fair and reasonable return on common equity capital for a WAW utility for inclusion in the leverage formula are the Discounted Cash Flow (DCF) model and the Capital Asset Pricing Model (CAPM).

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

Recommendation: Yes.

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?

Recommendation: No.

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

Recommendation: The determination of the leverage formula should be based on an after-tax cost of capital.

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

Recommendation: Yes. Staff recommends the Commission continue to make a bond yield differential adjustment as reflected in Attachment A of staff's memorandum dated December 4, 2008.

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

Recommendation: Yes. Staff recommends the Commission continue to make a Private Placement Premium adjustment of 50 basis points as reflected in Attachment A of staff's memorandum dated December 4, 2008.

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

Recommendation: Yes. Staff recommends it is appropriate for the Commission to continue to include a small utility risk premium of 50 basis points in the cost of common