

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF WORKSHOP

TO

ALL INTERESTED PERSONS

UNDOCKETED

RE: DISCUSSION ON THE RETURN ON EQUITY
FOR NATURAL GAS

ISSUED: January 25, 1995

NOTICE is hereby given pursuant to Rule 25-22.001, Florida Administrative Code, that the Staff of the Florida Public Service Commission will conduct a workshop for the purpose of discussing Return On Equity at the following time and place:

9:30 a. m., February 24, 1995, Friday
Room 106, Fletcher Building
101 East Gaines Street
Tallahassee, Fl 32399-0870

PURPOSE

The purpose of this workshop is to discuss and evaluate the appropriate methodologies for determining the return on equity for the natural gas industry. In an effort to focus on the purpose of the workshop, a copy of relevant issues has been attached to this Notice. Please review the issues and be prepared to comment and/or discuss them.

If you wish to comment but cannot attend the workshop, please file your comments with the Division of Records and Reporting, Fletcher Building, 101 East Gaines Street, Tallahassee, Florida 32399-0870, on or before February 16, 1995, specifically referencing "Undocketed Natural Gas Return On Equity Workshop".

A copy of the agenda for this workshop may be obtained by writing to the Director, Division of Records and Reporting, at the address previously noted.

Any person requiring some accommodation at this workshop because of a physical impairment should call the Division of Records and Reporting at (904) 488-8371 at least five calendar days prior to the workshop. If you are hearing or speech impaired, please contact the Florida Public Service Commission using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD).

DOCUMENT NUMBER-DATE

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JURISDICTION

Jurisdiction is vested in this Commission pursuant to Chapter 366, Florida Statutes. The workshop will be governed by the provisions of that Chapter and Chapters 25-7 and 25-22, Florida Administrative Code.

By DIRECTION of the Florida Public Service Commission, this
25th day of January, 1995.



BLANCA S. BAYO, Director
Division of Records and Reporting

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General Information

The purpose of this workshop is to review the current methodology and procedure for establishing an authorized rate of return on equity for natural gas distribution companies, regulated by the Florida Public Service Commission. Participants are encouraged to share their concerns about issues, such as, business risk, which affect the authorized return on equity. Those who wish to submit materials for the Commission's and participant's review and discussion, please submit them to Ann Casseauax, by February 16, 1994 so that they may be copied and distributed.

Questions

1. Are the authorized returns on equity (ROE) for Florida natural gas distribution companies adequate to maintain financial viability and attract capital? If not, please explain.
2. Are the companies in Moody's Natural Gas Distribution Index a reasonable (appropriate) proxy for determining the ROE for a Florida gas company? Please explain. If no, what companies would be a reasonable proxy?
3. What cost of equity methodologies are appropriate for gas companies in Florida? What methodologies are inappropriate? Please explain.
4. Could one of the associations provide a breakdown of industrial, commercial, transportation, and residential therm sales for Florida gas companies and for the gas distribution companies in Value Line? Is there a publication (an industry standard) that provides this information? (The Natural Gas Yearbook published by the AGA?)
5. Could a leverage formula be used to determine the authorized ROEs for gas companies?
6. How do sources for long-term debt, such as investment bankers, weight the authorized ROE and the achieved ROE in deciding whether to lend funds and at what terms?
7. Do these sources of long-term debt consider the effect of regulation?
8. What are the most important considerations of the sources of long-term debt in deciding whether to lend funds and at what terms to gas companies?

9. What range of equity ratios and pretax coverage ratios are appropriate for gas companies in Florida? Please explain.
10. Does an equity ratio higher than the industry average mitigate or offset business risk?
11. What effect on business and financial risk has FERC Order 636 had on gas companies in Florida? Please give examples.
12. What is the effect on business and financial risk of only one pipeline serving Florida? Please explain.
13. Does size affect the riskiness of gas companies in Florida? Please explain.
14. What opportunities exist currently and are anticipated for the natural gas distribution industry nationally and in Florida?
15. If there are ratemaking treatments other than higher ROEs that need to be changed or implemented to give the gas industry a better opportunity to achieve reasonable rates of return, please provide a list.

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Item Presented

Agenda For (Date) _____ Order No. _____ In Docket No. _____
 Notice of Workshop For (Date) 2/24/95 In Docket No. UK -
 Other _____

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