

VOTE SHEET

DATE: May 21, 1996

RE: DOCKET NO. 960006-WS - Annual reestablishment of authorized range of returns on common equity for water and wastewater utilities, pursuant to Section 367.081(4)(f), F.S.

Issue 1: Recommendation that, based on the current range of returns on common equity authorized by the Commission for other regulated utilities, the 10.18% to 11.88% range of returns approved in Order No. PSC-95-0892-FOF-WS is still reasonable for water and wastewater utilities for the period until the leverage formula is readdressed.

The authorized range of returns on common equity for water and wastewater utilities should be based on the following formula:

$$\begin{aligned} \text{Return on Common Equity} &= 9.05\% + 1.131/\text{Equity Ratio where the Equity Ratio} \\ &= \text{Common Equity}/(\text{Common Equity} + \text{Preferred} \\ &\quad \text{Equity} + \text{Long-term and Short-term Debt}) \end{aligned}$$

Further, the authorized return on equity should be limited to a maximum of 11.88% for all equity ratios of less than 40% in order to discourage imprudent financial risk.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures of majority commissioners]

 Susan J. Clark

[Handwritten signature of dissenting commissioner]
 J. Terry Deason

REMARKS/DISSENTING COMMENTS: *Commissioner Deason dissented.*

PSC/RAR33 (5/90)

DOCUMENT NUMBER - DATE

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PSC-RECORDS/REPORTING

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Issue 2: Recommendation that this docket remain open.

APPROVED