

VOTE SHEET

June 19, 2012

Docket No. 120006-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.

Issue 1: What is the appropriate range of returns on common equity for water and wastewater (WAW) utilities, pursuant to Section 367.081(4)(f), Florida Statutes?

Recommendation: Staff recommends that the current 2011 leverage formula authorized by the Commission in Order No. PSC-11-0287-PAA-WS continue to be used until the leverage formula is readdressed in 2013. Accordingly, staff recommends the following leverage formula:

Return on Common Equity = 7.13% + 1.610/Equity Ratio

Where the Equity Ratio = Common Equity / (Common Equity + Preferred Equity + Long-Term and Short-Term Debt)

Range: 8.74% @ 100% equity to 11.16% @ 40% equity

Additionally, staff recommends that the Commission cap returns on common equity at 11.16 percent for all WAW utilities with equity ratios less than 40 percent. Staff believes that this will discourage imprudent financial risk. This cap is consistent with the methodology in Order No. PSC-08-0846-FOF-WS.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures in blue ink on the majority lines.

Empty lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE
03979 JUN 19 2012
FPSC-COMMISSION CLERK

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Issue 2: Should this docket be closed?

Recommendation: No. Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant.

APPROVED