

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the ) DOCKET NO. 931100-GU  
appropriate equity return for ) ORDER NO. PSC-93-1832-FOF-GU  
FLORIDA PUBLIC UTILITIES COMPANY ) ISSUED: December 27, 1993  
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The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JULIA L. JOHNSON  
LUIS J. LAUREDO  
DIANE K. KIESLING

ORDER REJECTING PROPOSED SETTLEMENT AND  
SCHEDULING HEARING TO DETERMINE APPROPRIATE RETURN ON EQUITY  
FOR FLORIDA PUBLIC UTILITIES COMPANY

BY THE COMMISSION:

CASE BACKGROUND

On October 22, 1993, Commission Staff (staff) contacted the Florida investor-owned natural gas distribution companies to see if the companies would agree to authorized returns on equity (ROEs) more reflective of current market conditions.

Florida Public Utilities Company, which owns natural gas utilities in West Palm Beach and Orange City, currently is authorized to earn a 13% (plus or minus 100 basis points) return on equity. This rate was established by Order No. 24094, issued on February 12, 1991. Since the time that order was issued, the cost of capital has declined significantly. We note that the bellwether 30 year treasury bond rate has declined from 7.54% in October 1992 to 5.93% in October 1993. Projections for the next two years indicate 30 year treasury bond rates will continue to be at approximately that level. Moody's Bond Survey indicates that there has also been a decline in utility bond interest rates. Further, as of October 1993, staff's internal models indicated the range of cost of equity for gas companies has dropped 115 to 180 basis points.

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FPUC made an offer to reduce its authorized return on equity to 11.75%, plus or minus 100 basis points. Staff, for the reasons stated above, believes that the cost of equity is significantly lower.

We believe the matter should be fully considered at a formal hearing. Therefore, we reject Florida Public Utilities Company's proposal of an 11.75% ROE, and, schedule a limited scope proceeding to establish the appropriate return on equity for FPUC to be held on March 23 and 24, 1994.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company's offer to reduce its authorized return on equity to 11.75% plus or minus 100 basis points is rejected. It is further

ORDERED that a limited scope proceeding to establish the appropriate return on equity for FPUC shall be held on March 23 and 24, 1994.

By ORDER of the Florida Public Service Commission, this 27th day of December, 1993.

  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

RVE

Commissioner Luis J. Lauredo dissented.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or sewer utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.