

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the) DOCKET NO. 931100-GU
appropriate equity return for) ORDER NO. PSC-94-0249-FOF-GU
FLORIDA PUBLIC UTILITIES COMPANY) ISSUED: March 7, 1994
_____)

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER REDUCING AUTHORIZED RETURN ON EQUITY FOR
FLORIDA PUBLIC UTILITIES COMPANY - NATURAL GAS DIVISION

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

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 (FPUC), 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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By letter dated November 18, 1993, FPUC offered to reduce its ROE to 11.75%. At the December 7, 1993 agenda conference we rejected that offer and scheduled a limited proceeding, to be held March 23 and 24, 1994, to determine the appropriate return on equity for this utility.

By letter dated January 25, 1994, FPUC offered to reduce its ROE to 11.00% for all regulatory purposes. Subsequently, FPUC orally agreed that January 1, 1994 would be the effective date for the new return on equity.

We find that the proposal should be accepted. We believe that 11.00% is more in line with the current cost of equity for gas companies than FPUC's current authorized ROE. By accepting this proposal, the Commission will avoid a hearing on this issue and the attendant rate case expense.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company's Natural Gas division's authorized return on equity shall be reduced to 11.00% plus or minus 100 basis points for all regulatory purposes beginning January 1, 1994. It is further

ORDERED that if there is no protest to this proposed agency action within the time frame set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 7th day of March, 1994.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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by: Kay J. [Signature]
Chief, Bureau of Records

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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 28, 1994.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.