

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Annual reestablishment ) DOCKET NO. 960006-WS  
of authorized range of returns ) ORDER NO. PSC-96-0729-FOF-WS  
on common equity of water and ) ISSUED: May 31, 1996  
wastewater utilities, pursuant )  
to Section 367.081(4) (f), )  
Florida Statutes. )  
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The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING AUTHORIZED RANGE OF RETURNS ON EQUITY

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Pursuant to Section 367.081 (4) (f), Florida Statutes, the Commission is authorized to establish, not less than once each year, a leverage formula to calculate a reasonable range of returns on equity (ROE) for water and wastewater (WAW) utilities. This Commission last established this range of returns in Order No. PSC-95-0892-FOF-WS issued on August 10, 1995, in Docket No. 950006-WS.

Based on our 1995 decisions pertaining to ROE, we find that the WAW leverage formula approved in Order No. PSC-95-0892-FOF-WS is still appropriate. We have not changed the allowed return for any telephone, natural gas, or electric utility since we approved the last WAW leverage formula.

We find that the leverage formula range of 10.18% to 11.88% is still reasonable for WAW utilities. Therefore, we find it appropriate to continue to base the authorized range of returns on common equity for WAW utilities on the following formula:

Return on Common Equity = 9.05% + 1.131/Equity Ratio

We further limit the authorized return on common equity to a maximum of 11.88% for all equity ratios of less than 40%. This

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leverage formula maintains the range of returns approved in Order No. PSC-95-0892-FOF-WS.

This docket shall remain open to allow us to monitor the movement in capital costs and to readdress the reasonableness of the leverage formula as conditions warrant.

Based on the foregoing, it is

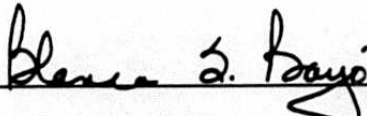
ORDERED by the Florida Public Service Commission that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that the appropriate formula for measuring returns on common equity for water and wastewater utilities shall be as set forth in the body of this Order. It is further

ORDERED that returns on common equity shall continue to be capped at 11.88 percent for all water and wastewater utilities with equity ratios of less than 40 percent. It is further

ORDERED that this Docket shall remain open to allow this Commission to monitor the movement in capital costs and to readdress the reasonableness of the leverage formula as conditions warrant.

By ORDER of the Florida Public Service Commission, this 31st day of May, 1996.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

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Commissioner J. Terry Deason dissented in the decision in this docket and would have updated the leverage graph based on the most recent model results.

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 21, 1996.

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 substantially 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.