

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Annual reestablishment
of authorized range of returns
on common equity for water and
wastewater utilities, pursuant
to Section 367.081(4)(f), F.S.

DOCKET NO. 980006-WS
ORDER NO. PSC-98-1434-FOF-WS
ISSUED: October 23, 1998

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER MAKING ORDER NO. PSC-98-0903-FOF-WS FINAL AND
EFFECTIVE OCTOBER 6, 1998, AND MODIFYING FINAL ORDER

BY THE COMMISSION:

Pursuant to Section 367.081(4)(f), Florida Statutes, this Commission is authorized to establish, not less than once each year, a leverage formula to calculate a reasonable range of returns on equity for water and wastewater utilities. By Proposed Agency Action (PAA) Order No. PSC-98-0903-FOF-WS, issued July 6, 1998, we established a leverage formula calculating the most recent authorized range of returns on common equity. With minor modification, we utilized the same leverage formula methodology established by Order No. PSC-95-0892-FOF-WS, issued August 10, 1995, in Docket No. 950006-WS.

On July 23, 1998, Florida Water Services Corporation (FWSC) filed a Petition on PAA, protesting Order No. PSC-98-0903-FOF-WS and requesting a formal hearing on its petition. On September 9, 1998, FWSC filed a Notice of Voluntary Dismissal of its Petition on PAA. Based upon FWSC's voluntary dismissal of its petition on PAA, we find it appropriate to make Order No. PSC-98-0903-FOF-WS final and effective October 6, 1998.

We also note that pages eight, nine and ten of Attachment 1 of Order No. PSC-98-0903-FOF-WS contain minor errors which require

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correction. Page eight inadvertently contained the incorrect number for the estimated monthly risk premium for natural gas utilities. This did not affect our decision, because we utilized the correct number in our calculation. The correct number was included on page five of Attachment 1 of the PAA Order. Pages nine and ten contained a typographical error. A dollar sign was inadvertently placed in front of the numbers for common shares of outstanding stock in the equity ratios of water and natural gas index companies. Although these errors did not affect the outcome of the PAA Order, revised pages eight through ten of Attachment 1 are included in this Order as Attachment A, which by reference, is incorporated herein. Accordingly, Order No. PSC-98-0903-FOF-WS, shall be modified to include those revised pages. This docket shall remain open to allow our staff to monitor the movement in capital costs and to readdress the reasonableness of the leverage formula as necessary.

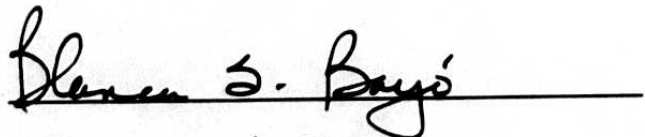
Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Order No. PSC-98-0903-FOF-WS is final and effective October 6, 1998. It is further

ORDERED that Order No. PSC-98-0903-FOF-WS is hereby modified to include Attachment A, which by reference, is incorporated in the body of this Order. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 23rd day of October, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

TV/SM

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) 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 and/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 after the issuance 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.

ESTIMATED MONTHLY RISK PREMIUMS
 MOODY'S NAT'L GAS DISTRIBUTION INDEX
 1979 - 1998

YEAR	MONTH	Quarterly Cost of Equity Gas	Annual Cost of Equity Gas	Risk Free Rate	Risk Premium Quarterly	Risk Premium Annual
1994	JAN	9.133	9.950	6.24	2.693	2.720
	FEB	8.605	8.632	6.28	2.525	2.352
	MAR	8.885	8.721	6.49	2.395	2.231
	APR	9.126	8.965	6.90	2.228	2.065
	MAY	9.431	9.232	7.25	2.181	1.982
	JUN	9.550	9.361	7.40	2.150	1.961
	JUL	9.737	9.553	7.39	2.347	2.163
	AUG	9.723	9.514	7.57	2.153	1.944
	SEP	9.602	9.599	7.48	2.322	2.119
	OCT	9.921	9.727	7.69	2.231	2.037
	NOV	9.813	9.618	7.93	1.883	1.888
	DEC	10.198	9.972	8.07	2.128	1.902
1995	JAN	10.342	10.124	7.86	2.482	2.264
	FEB	10.071	9.831	7.83	2.241	2.001
	MAR	9.891	9.677	7.60	2.291	2.077
	APR	9.865	9.669	7.44	2.425	2.229
	MAY	9.226	9.036	7.35	1.876	1.686
	JUNE	9.888	9.679	6.93	2.958	2.749
	JULY	9.858	9.667	6.57	3.288	3.097
	AUGUST	9.885	9.656	6.71	3.175	2.946
	SEPT	9.956	9.738	6.85	3.106	2.888
	OCT	9.502	9.323	6.55	2.952	2.773
	NOV	9.573	9.393	6.37	3.203	3.023
	DEC	9.622	9.431	6.25	3.372	3.181
1996	JAN	9.788	9.603	6.06	3.728	3.543
	FEB	9.216	9.032	6.05	3.166	2.982
	MAR	9.255	9.085	6.24	3.015	2.845
	APR	9.389	9.227	6.60	2.789	2.627
	MAY	9.748	9.555	6.79	2.958	2.785
	JUN	9.816	9.636	6.92	2.696	2.716
	JUL	9.710	9.552	7.05	2.660	2.502
	AUG	10.158	9.957	7.03	3.128	2.927
	SEP	9.984	9.810	6.84	3.144	2.970
	OCT	10.241	10.072	7.02	3.221	3.052
	NOV	9.930	9.760	6.80	3.130	2.960
	DEC	9.781	9.616	6.48	3.301	3.136
1997	JAN	9.894	9.741	6.55	3.344	3.191
	FEB	9.768	9.575	6.82	2.948	2.755
	MAR	9.838	9.658	6.68	3.158	2.978
	APR	9.932	9.766	6.83	3.102	2.936
	MAY	10.357	10.148	7.08	3.277	3.068
	JUN	10.199	10.016	6.93	3.269	3.088
	JUL	10.056	9.901	6.77	3.286	3.131
	AUG	10.107	9.920	6.51	3.597	3.410
	SEP	10.124	9.955	6.57	3.554	3.385
	OCT	10.010	9.865	6.49	3.520	3.375
	NOV	10.032	9.869	6.32	3.712	3.549
	DEC	9.725	9.576	6.10	3.625	3.476
1998	JAN	9.693	9.563	5.98	3.713	3.583
	FEB	9.529	9.371	5.81	3.719	3.561
	MAR	9.638	9.493	5.88	3.758	3.613
	APR	9.662	9.533	5.95	3.712	3.583
	MAY	9.600	9.443	5.92	3.680	3.523
					2.902	2.673

AVERAGE RISK PREMIUM

UPDATED: 08/12/98

SOURCE: Value Line 1979-1998
 Moody's Bond Survey
 U.S. Treasuries - 30-Year Bond

Natural Gas Index

12/31/97 Equity Ratios of Water Index Companies

	Book Value Per Share	Common Shares Outstanding (millions)	Common Equity (millions)	Total Debt (millions)	Preferred Equity (millions)	Equity Ratio
American Water Works	\$14.31	79.99	\$1,144.70	\$2,030.70	\$98.00	34.97%
Aquarion Company	\$18.26	7.33	\$133.90	\$165.40	\$0.00	44.73%
California Water Service Co.	\$13.00	12.62	\$164.00	\$151.70	\$3.50	51.39%
Consumers Water Company	\$12.11	8.99	\$108.90	\$196.60	\$1.10	35.52%
Philadelphia Suburban Corp.	\$7.39	27.5	\$203.20	\$249.60	\$2.80	44.60%
United Water Resource	\$11.53	36.29	\$418.50	\$705.60	\$95.60	34.31%
					Average	40.92%

Date Common Shares Outstanding was determined by Value Line

American Water Works	03/08/98
Consumers Water Company	03/11/98
Philadelphia Suburban Corp.	03/02/98
All Others	12/31/97

Source: Value Line Investment Survey, Edition 9 - May 8, 1998

12/31/97 Equity Ratios of Natural Gas Index Companies

	Book Value Per Share	Common Share Outstanding (millions)	Common Equity (millions)	Total Debt (millions)	Preferred Equity (millions)	Equity Ratio
Atlanta Gas & Light	\$10.99	56.46	\$620.50	\$810.50	\$118.80	40.04%
Bay State Gas	\$17.35	13.52	\$234.60	\$329.00	\$4.90	41.27%
KeySpan Energy Corp.	\$19.09	51.16	\$976.60	\$800.40	\$0.00	54.96%
Indiana Energy	\$12.96	22.59	\$292.80	\$241.00	\$0.00	54.85%
Laclede Gas	\$14.26	17.59	\$250.90	\$306.60	\$2.00	44.84%
Northwest Natural Gas	\$16.00	22.78	\$364.50	\$401.30	\$37.40	45.38%
Peoples Energy	\$20.43	35.23	\$719.70	\$587.50	\$0.00	55.06%
Washington Gas & Light	\$13.48	43.64	\$588.20	\$574.20	\$28.40	49.40%
					Average	48.22%

Date Common Shares Outstanding was determined by Value Line

Laclede Gas	02/11/98
Northwest Natural Gas	11/07/97
Peoples Energy	01/31/98
All Others	12/31/97

Source: Value Line Investment Survey, Edition 9 - May 8, 1998