

VOTE SHEET

JUNE 16, 1998

RE: DOCKET NO. 980006-WS - Annual reestablishment of authorized range of returns 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 utilities pursuant to Section 367.081(4)(f), Florida Statutes?

Recommendation: Staff recommends that the Commission continue with the current leverage formula. Based on the current range of returns on equity authorized by the Commission for other regulated utilities, the 9.21% to 10.46% range of returns indicated by the current leverage formula approved in Order No. PSC-97-0660-FOF-WS, issued June 10, 1997, in Docket No. 970006-WS, is still reasonable for WAW utilities.

The current formula is:

Return on Common Equity = 8.38% + 0.832/Equity Ratio
where the

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

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in the Majority column]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER DATE

06377 JUN 17 98

FPSC-RECORDS/REPORTING

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Staff further recommends that the Commission limit the authorized return on common equity (ROE) to a maximum of 10.46% for all equity ratios of less than 40% to discourage imprudent financial risk.

DENIED

Instead, the results of this year's formula should be used. There will be no adjustment for the differential in perceived risks for gas companies, but ~~asset~~ ~~allow~~ weighted averages for water companies will be allowed.

Issue 2: Should this docket be closed?

Recommendation: No. Upon expiration of the protest period, this docket should remain open.

APPROVED