

VOTE SHEET

MAY 15, 2001

RE: DOCKET NO. 010006-WS - Water and wastewater industry annual reestablishment of authorized range of return on common equity of 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?

PRIMARY RECOMMENDATION: Staff recommends that the Commission base the leverage formula methodology on an 11.5% return on equity (ROE). The Commission approved this ROE for Chesapeake Utilities Corporation by Order No. PSC-00-2263-FOF-GU, issued November 28, 2000, and for City Gas Company by Order No. PSC-01-0316-PAA-GU, which became final on March 5, 2001. This is a change from the existing methodology. Staff recommends the following leverage formula:

Return on Common Equity = 8.41% + 1.567/Equity Ratio

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

Range: 9.98% @ 100% equity to 12.33% @ 40% equity

DENIED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Michael A. Paschke

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REMARKS/DISSENTING COMMENTS: *Commissioner Jaber dissented.*

DOCUMENT NUMBER-DATE
06106 MAY 16 2001
PSC-RECORDS/REPORTING

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ALTERNATIVE RECOMMENDATION: Staff recommends that the Commission continue with the existing leverage formula methodology, updated with current financial data. This alternative includes one minor correction and one minor modification to the methodology, which is discussed in the alternative portion of staff's May 3, 2001 memorandum. Alternative staff recommends the following leverage formula:

Return on Common Equity = 8.41% + 0.731/Equity Ratio

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

Range: 9.14% @ 100% equity to 10.24% @ 40% equity

APPROVED

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor the movement in capital costs and to readdress the reasonableness of the leverage formula as conditions warrant.

APPROVED