

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

MAY 20, 2003

RE: Docket No. 030006-WS - Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S. (Deferred from March 4, 2003 Commission conference.)

ISSUE 1: Does the Commission have legal authority under Section 367.081(4)(f), Florida Statutes, to reestablish a utility's rate of return on common equity by the leverage graph formula where the utility already has a rate of return on common equity established by the Commission?

RECOMMENDATION: Yes. Together Sections 367.081(4)(f), 367.081(2)(a), and 367.0822, Florida Statutes, provide the Commission with the authority to adjust the rates of return on common equity for all water and wastewater utilities in one generic proceeding using the leverage formula.

NO VOTE

COMMISSIONERS ASSIGNED: Jaber, Deason, Baez, Bradley

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Jaber
Deason
Baez
Bradley

REMARKS/DISSENTING COMMENTS:

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ISSUE 2: Does the Commission have legal authority under Section 367.081(2)(a), Florida Statutes, to reestablish the range of returns on common equity for water and wastewater utilities that have previously established rates of return on common equity?

RECOMMENDATION: Yes. Together Sections 367.081(4)(f), 367.081(2)(a), and 367.0822, Florida Statutes, provide the Commission with the authority to adjust the rates of return on common equity for all water and wastewater utilities in one generic proceeding using the leverage formula.

NO VOTE

ISSUE 3: Whether the Commission's proposed re-establishment of the range of returns on common equity for water and wastewater utilities that have previously established rates of return on common equity:

(a) violates or is inconsistent with Commission rules and/or policies for establishing rates and/or analyzing whether a utility is under-earning or over-earning;

(b) is arbitrary, capricious or speculative?

RECOMMENDATION: (a) No. The reestablishment of ROEs for all water and wastewater utilities with an authorized ROE is consistent with Commission rules, policies, and prior action, and is within the Commission's discretion to implement its statutory obligations in an administratively efficient manner.

(b) No. The reestablishment of authorized ROEs is reasonable and appropriate, and not arbitrary, capricious, or speculative, given that the Commission updates its leverage formula annually resulting in ROEs that reflect current economic conditions. Further, the responsibility of the Commission to monitor the earnings of water and wastewater utilities can be managed only in the context of current ROEs and current economic conditions. Finally, updating the authorized ROEs of water and wastewater utilities in one generic proceeding rather than in many individual proceedings is administratively efficient and cost-effective.

NO VOTE

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ISSUE 4: Should the Commission use the current leverage formula to reestablish the authorized ROE for all water and wastewater utilities that currently have an authorized ROE?

RECOMMENDATION: Yes. Consideration of a utility's ROE, whether it is previously established or not, is within the Commission's jurisdiction, pursuant to Chapter 367, Florida Statutes. Given that many water and wastewater utilities have authorized ROEs outside the range set by the current leverage formula, and that the Commission can effectively monitor utility earnings only in the context of current ROEs, the Commission should utilize the current leverage formula to update the authorized ROEs for utilities that have authorized ROEs. One proceeding, rather than 94, for reestablishing these authorized ROEs is administratively efficient and cost-effective, which is in the public interest.

DENIED

ISSUE 5: Should this docket be closed?

RECOMMENDATION: No. 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

(with modification verbalized by staff at conference and pre-reflected in recommendation language on vote sheet)