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July 23, 1998

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

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RECORDS AND REPORTING

Re: Docket No. 980006-WS

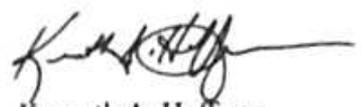
Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Water Services Corporation ("Florida Water") are the original and fifteen copies of Florida Water's Petition on Proposed Agency Action and Request for Formal Administrative Hearing.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing

Sincerely,


Kenneth A. Hoffman

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07803 JUL 23 98
FPSC-RECORDS/REPORTING

ORIGINAL

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)
367.081(4)(f), F.S.)
_____)

Docket No. 980006-WS

Filed: July 23, 1998

**FLORIDA WATER SERVICES CORPORATION'S
PETITION ON PROPOSED AGENCY ACTION AND
REQUEST FOR FORMAL ADMINISTRATIVE HEARING**

Florida Water Services Corporation ("Florida Water"), pursuant to Sections 120.569 and 120.57(1), Florida Statutes (1997) and Rule 28-106.201, Florida Administrative Code, hereby files this petition protesting the Florida Public Service Commission's ("Commission") Proposed Agency Action Order No. PSC-98-0903-FOF-WS ("PAA Order") and requesting a formal administrative hearing. In support of its petition, Florida Water states:

1. The name, address and telephone number of the petitioner is:

Florida Water Services Corporation
1000 Color Place
Apopka, Florida 32703
(407) 880-0058 (telephone)
(407) 880-1395 (telecopier)

2. All notices, pleadings, correspondence, staff recommendations and orders should be provided to the following on behalf of Florida Water:

Brian P. Armstrong
Vice President and General Counsel
Matthew J. Feil, Esq.
Florida Water Services Corporation
1000 Color Place
Apopka, Florida 32703
(407) 880-0058 (telephone)
(407) 880-1395 (telecopier)

Kenneth A. Hoffman, Esq.
John R. Ellis, Esq.
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DOCUMENT NUMBER-DATE

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3. The name and address of the affected agency is :

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

4. On or about July 8, 1998, counsel for Florida Water received a copy of the PAA Order.

5. Florida Water provides service to more than 100 water and wastewater service areas pursuant to rates and charges established by the Commission. The PAA Order utilizes certain data, analyses and assumptions to derive a proposed updated leverage formula providing a range of returns on equity to be applied by the Commission in establishing rates for water and wastewater utilities subject to the jurisdiction of the Commission, including Florida Water. Accordingly, Florida Water's substantial interests will be affected by the methodology employed and results derived by the Commission in establishing an updated leverage formula range of returns on equity.

6. Disputed issues of material fact include, but are not limited to:

- a. Whether the range of returns on equity from 8.57% to 9.85% reflected in the PAA Order is reasonable in light of the business, financial and regulatory risks currently faced by water and wastewater utilities regulated by the Commission, including Florida Water?

- b. Whether the methodology, analyses and assumptions currently utilized by the Commission to establish the leverage formula range of returns on equity adequately reflect the business, financial and regulatory risks faced by water and wastewater utilities regulated by the Commission?

- c. Whether it is appropriate to establish the leverage formula range of returns on equity by averaging the results of two discounted cash flow ("DCF") analyses, a risk premium analysis, and

a capital asset pricing model ("CAPM") analysis?

d. Whether the weights assigned by the Commission to the DCF, risk premium and CAPM analyses in the PAA Order should be reevaluated in deriving an appropriate leverage formula range of returns on equity commensurate with the risks faced by Florida water and wastewater utilities?

e. Whether the Commission should continue to include a risk premium analysis based on an index of natural gas utilities in deriving an appropriate leverage formula range of returns on equity for Florida water and wastewater utilities?

f. Whether is it appropriate to include a gas index premium or discount in deriving an appropriate leverage formula range of returns on equity for Florida water and wastewater utilities?

g. Whether there are other methods, analyses, data, assumptions or considerations not reflected in the PAA Order which should properly be included in the derivation of an appropriate leverage formula range of returns on equity for Florida water and wastewater utilities?

7. Florida Water maintains that the method and analyses utilized by the Commission in deriving the leverage formula range of returns on equity reflected in the PAA Order would fail to provide Florida Water with a return on equity commensurate with the level of business, financial and regulatory risks faced by Florida Water in the provision of water and wastewater services.

8. Pursuant to Section 367.081(4)(f), Florida Statutes (1997) and Sections 120.569 and 120.57(1), Florida Statutes (1997), Florida Water requests that the Commission conduct a formal administrative hearing for the purposes of addressing and revising the methodology, analyses, data and/or assumptions used by the Commission to establish the leverage formula range of returns on equity to provide Florida Water a return on equity commensurate with the business, financial and

regulatory risks confronted by Florida Water in the provision of water and wastewater services.

WHEREFORE, Florida Water respectfully requests that the Commission:

- A. Grant this Petition on proposed agency action and request for formal administrative hearing;
- B. Schedule a formal administrative hearing before the full Commission for the purposes of analyzing and revising the methodologies, analyses, data and/or assumptions appropriately employed in the derivation of a leverage formula range of returns on equity commensurate with the business, financial and regulatory risks confronted by water and wastewater utilities regulated by the Commission; and
- C. Grant such other relief as the Commission deems just and proper.

Respectfully submitted,



Kenneth A. Hoffman, Esq.
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P. O. Box 551
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(850) 681-6515 (telecopier)

and

Brian P. Armstrong
Vice President and General Counsel
Matthew J. Feil, Esq.
Florida Water Services Corporation
1000 Color Place
Apopka, Florida 32703
(407) 880-0058 (telephone)
(407) 880-1395 (telecopier)

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by U. S. Mail this 23rd day of July, 1998 to:

Lila Jaber, Esq.
Division of Legal Services
2540 Shumard Oak Boulevard
Room 370
Tallahassee, Florida 32399-0850

By 