

FLORIDA PUBLIC SERVICE COMMISSION

Item 8

VOTE SHEET

FILED 6/10/2020
DOCUMENT NO. 03010-2020
FPSC - COMMISSION CLERK

June 9, 2020

Docket No. 20200006-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.

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 current leverage formula approved by the Commission in Order No. PSC-2019-0267-PAA-WS continue to be used until readdressed in 2021. Accordingly, staff recommends the following leverage formula:

$ROE = 6.05\% + (1.80 \div \text{Equity Ratio})$

Where the Equity Ratio = $\text{Common Equity} \div (\text{Common Equity} + \text{Preferred Equity} + \text{Long-Term and Short-Term Debt})$

Range: 7.85 percent at 100 percent equity to 10.55 percent at 40 percent equity

The Commission should cap returns on common equity at 10.55 percent for all WAW utilities with equity ratios less than 40 percent. Imposing a cap serves to discourage imprudent financial risk. This cap is consistent with the methodology in Order No. PSC-2019-0267-PAA-WS.

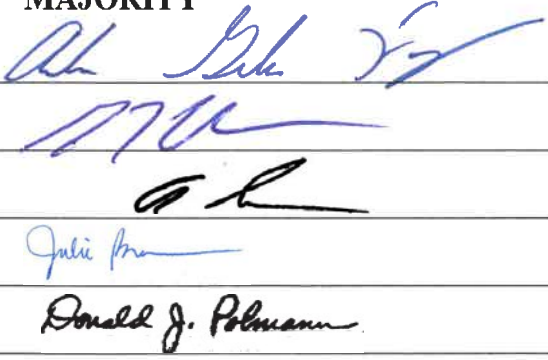
APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING



Donald J. Polmann

REMARKS/DISSENTING COMMENTS:

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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 changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant.

APPROVED