

FLORIDA PUBLIC SERVICE COMMISSION

Item 3

VOTE SHEET

FILED 6/13/2023  
DOCUMENT NO. 03614-2023  
FPSC - COMMISSION CLERK

June 13, 2023

Docket No. 20230006-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:** The appropriate range of returns on common equity is 8.46 percent at 100 percent equity to 10.67 percent at 40 percent equity. This range was determined using the leverage formula methodology approved in Order No. PSC-2018-0327-PAA-WS using a proxy group comprised of natural gas and WAW utilities and updated financial data. Accordingly, the following leverage formula should be used until the leverage formula is addressed again in 2024:

ROE = 7.00 + (1.468 ÷ Equity Ratio)

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

Range: 8.46% at 100% equity to 10.67% at 40% equity

The Commission should cap returns on common equity at 10.67 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 approved in Order No. PSC-2018-0327-PAA-WS.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures in blue ink]*

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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**