

FLORIDA PUBLIC SERVICE COMMISSION

Item 4

VOTE SHEET

June 3, 2025

FILED 6/3/2025

DOCUMENT NO. 04171-2025

FPSC - COMMISSION CLERK

Docket No. 20250006-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), F.S.?

Recommendation: The appropriate range of returns on common equity is 8.51 percent at 100 percent equity to 10.51 percent at 40 percent equity. This range was determined using the leverage formula methodology approved by Order No. PSC-2018-0327-PAA-WS applied to a proxy group comprised of natural gas and WAW utilities using the most recent financial data. Accordingly, the following leverage formula should be used until this matter is addressed again in 2026:

$$\text{ROE} = 7.17\% + (1.337 \div \text{Equity Ratio})$$

Where the Equity Ratio = Common Equity \div (Common Equity + Preferred Equity + Long-Term Debt + Short-Term Debt)

Range: 8.51% at 100% equity to 10.51% at 40% equity

The Commission should cap returns on common equity at 10.51 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 by Order No. PSC-2018-0327-PAA-WS.






APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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