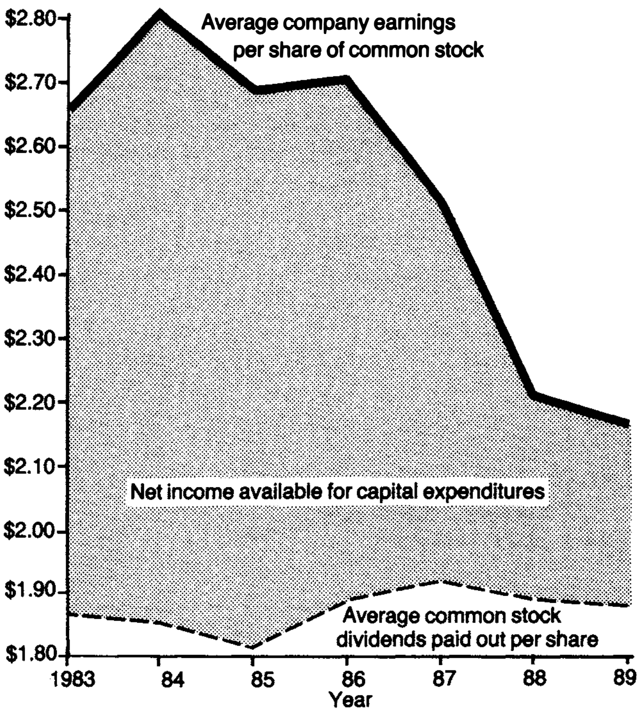
FIGURE 5
Funds available for capital expenditure shrink



Source: Edison Electric Institute.

Exacerbated by changes in the tax laws, new equity investments in utilities have plummeted, while bonded debt issues have increased (see **Figure 3**). For 1989, new capital from equity amounted to just $772 million, only 19% of the $4.063 billion raised in 1980.

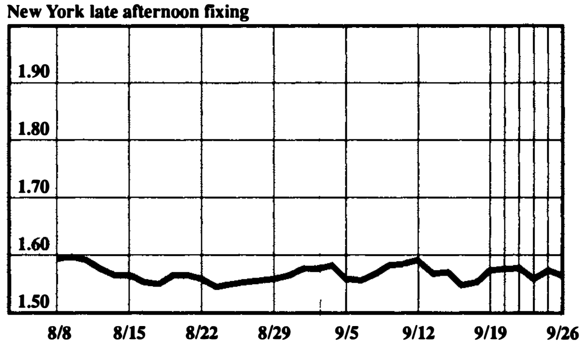
One main factor in this precipitous decline is that the various public utilities commissions (PUCs) have been authorizing *decreasing* returns on equity, by slashing rate requests from utilities. Since 1982, authorized return on equity has decreased almost every year, from 15.84% to only 12.72% in 1988—a cut of one-fifth (see **Figure 4**). At the same time, while the average utility earnings per share had eroded to $2.16 by 1989, down from $2.83 in 1984, the average dividend payment per share of common stock has been maintained at between $1.79 to $1.90 (see **Figure 5**). This has meant substantial cuts in retained earnings as the percentage of net income paid out in dividends has risen from under 70% to nearly 90%.

Not surprisingly, the rate of increase in the average number of common shares outstanding has been falling. From 1980-83, the increase in equity shares was accelerating, from 10.31% in 1980 to 17.11% in 1983 (see Figure 4). Since then, the rate has been far lower, and is estimated to have been just under 6% for last year.

Currency Rates

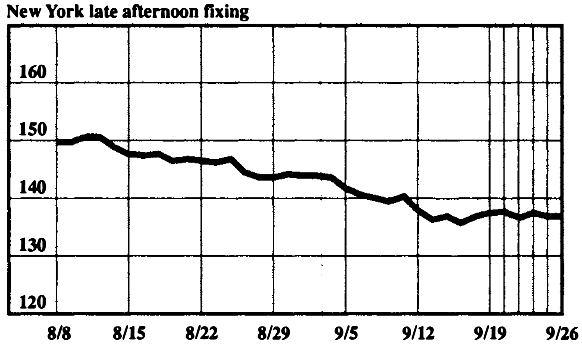
The dollar in deutschemarks

New York late afternoon fixing



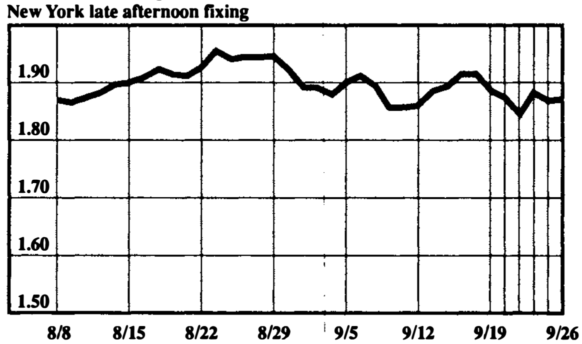
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing