

Participants in a Ratemaking Case

The Florida Public Service Commission

The five-member Commission, appointed by the Governor and confirmed by the Senate, hear a rate case and make the final decisions on all of the issues involved.

The Commission Staff

A staff of specialists, including accountants, engineers, attorneys, economists, and rate and financial analysts assist in most phases of the rate case. The staff identifies issues, gathers information, challenges the positions of other parties, analyzes case information, and formulates a recommendation for the Commissioners.

The Office of Public Counsel

The Public Counsel is appointed by the Florida Legislature to intervene before the Commission on behalf of the utility company's customers.

The Utility Company

Since the utility is a party to the case, the company's officers and staff are responsible for providing the operating and financial data necessary to support the utility's position. Testimony and timely response to discovery by other parties involved in the case may also be included.

Other Intervenors

An intervenor is an affected party who formally enters (intervenes) in the rate case through a petition to the Commission to represent a specific interest or point of view. Intervenors may be consumers, consumer groups, industrial groups, commercial organizations, local governments, or the federal government.

How Can Members of the Public Get Involved?

The PSC holds service hearings where the public can express their ideas and opinions about the issues raised in the case. At the service hearings, the public can testify orally or submit written comments. They can also submit written comments by mail, fax, or through the PSC's Web site.

For further information, contact the
Florida Public Service Commission
Office of Consumer Assistance & Outreach
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Phone: 1-800-342-3552

Fax: 1-800-511-0809

E-mail: contact@psc.state.fl.us

Visit our Internet home page at
www.FloridaPSC.com

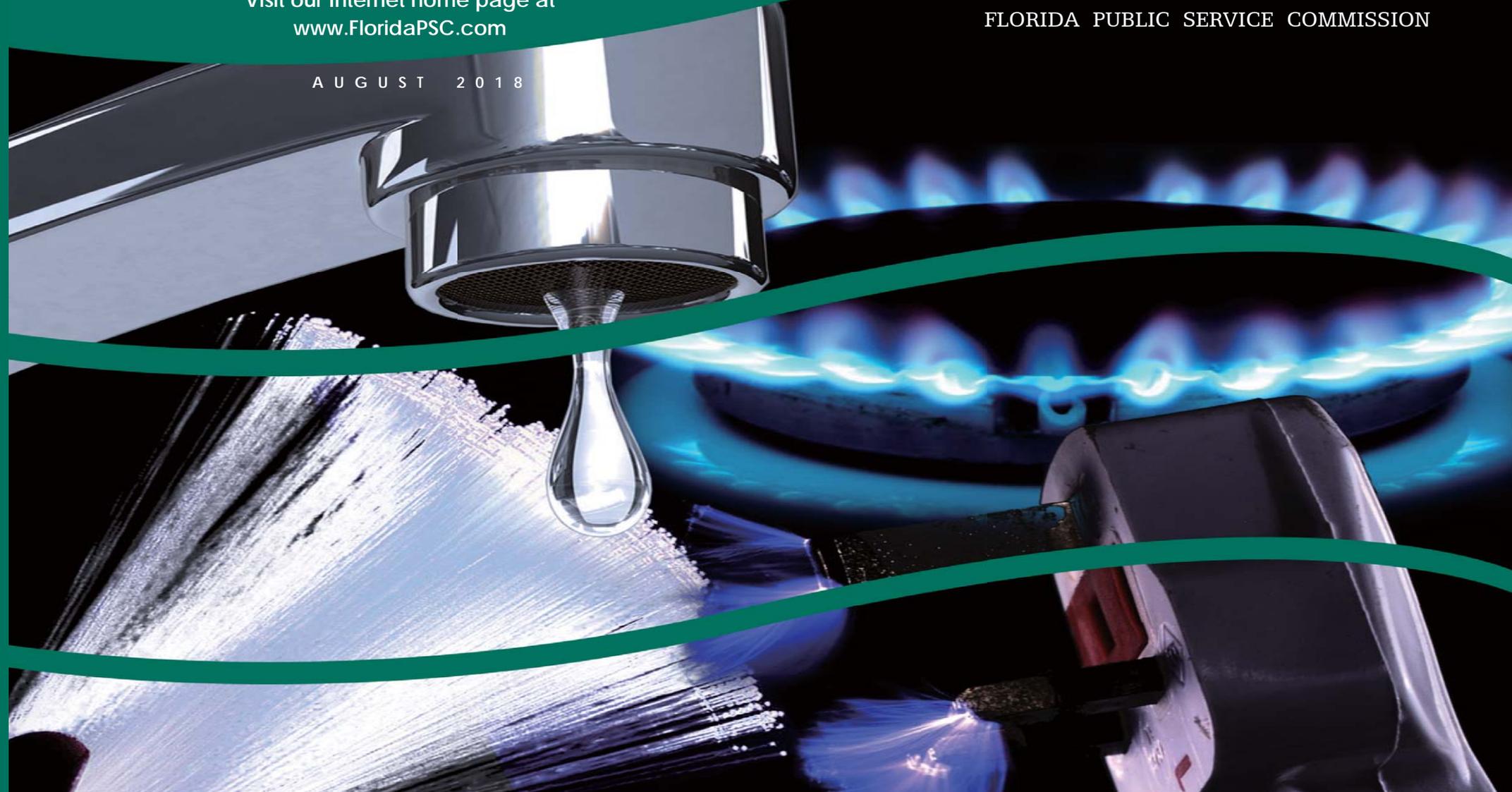
AUGUST 2018

UTILITY RATEMAKING

IN FLORIDA

FLORIDA PUBLIC SERVICE COMMISSION

Let Your Voice Be Heard



Overview of the Ratemaking Process

Florida's statutes require that the rates of regulated utility companies be fair, just and reasonable; that the service they provide be safe and adequate; and that those utilities have the opportunity to generate revenues to keep them operational.

When a utility company files an application for a rate increase with the Florida Public Service Commission (PSC), it must explain the need for the requested increase. Its petition must be accompanied by minimum filing requirements (MFRs), which are schedules and reports containing the operation, financial, economic, and rate information needed by the PSC staff to evaluate the company's revenue increase request, rate structure, and quality of service.

The utility also forecasts how much money is needed to cover its expenses in the next year. This includes a proposed return on its investment in assets used to provide service to its customers (such as power plants, electric lines, or gas mains), which the utility uses to pay interest on money it borrows and to compensate investors. The utility must also propose the classes of customers that will pay for the increase, usually categorized as residential, commercial, and industrial.

The filing of the rate case application initiates a process that must, by law, be completed within eight months. The company's proposal and financial information are closely analyzed before a Commission decision is made.

The rate case is divided into two basic components

1 Determination of revenue requirements.

What is the amount of gross revenues needed by the utility to cover its operating expenses, depreciation, taxes, etc.?

2 Determination of rate structure.

What rates will have to be paid by each customer class to provide the necessary gross revenues determined in the revenue requirements?



Typical Steps in a Ratemaking Case

Shown below are the typical steps in the utility rate case process when a large investor-owned electric or gas utility requests a rate increase. The rate case process for small gas and water and wastewater companies may differ from this. Contact the Florida PSC for more information about those cases.

- ✓ The utility files an application for a rate increase with the PSC, including detailed information and proposals about its request.
- ✓ The utility notifies its customers about its rate increase request through a bill insert.
- ✓ PSC staff audits the utility's records, examines the utility's information and proposals, and develops additional information and alternative proposals. Staff also conducts infrastructure inspections, reviews plant and financial records, and assesses the quality of service provided to consumers.
- ✓ Simultaneously, while PSC staff investigates the facts and issues outlined in the utility's application, parties to the case file intervention petitions, begin the evidentiary process, and typically hire experts to prepare testimony.

- ✓ The PSC issues a notice of hearing to inform residents, legislators, businesses, and news media in the utility's service area about the rate increase request and the case schedule, including when hearings will be held.
- ✓ The PSC holds service hearings where customers express their ideas and opinions about the rate increase request. Customer feedback becomes part of the record that Commissioners review before making their decision.
- ✓ The PSC holds a prehearing conference to identify the issues, identify interested parties, and set a schedule for the case.
- ✓ The PSC's technical hearings are attended by Commissioners, PSC staff, utility staff, Public Counsel, and interested parties. The company and interested parties provide testimony and question witnesses about their recommendations on issues in the case.
- ✓ The utility application, the technical hearing and service hearing testimony and exhibits become part of the case record that Commissioners use to make decisions about the case.
- ✓ PSC staff makes a detailed review and analysis of the entire record and files a recommendation with the PSC's Office of Commission Clerk detailing the staff's adjustments to the company's petition.
- ✓ The Commissioners review the information, based on the record, and make their decisions about the case in an open meeting through a written "order."
- ✓ After the Commission's order is issued, any party may ask the Commission to reconsider its decision on the issues. After the reconsideration, the Public Counsel, the utility, or any other party involved in the proceeding may appeal the Commission's decision to the Florida Supreme Court.
- ✓ Once the Commission's order is issued with the utility's rates, the utility must notify its customers of the order and the revised rates. The notice is first approved by the Commission and then sent to the customers with the first bill containing the new rates.