

Rate Case Procedures

FOR WATER & WASTEWATER UTILITIES



To assist consumers, this brochure explains rate case procedures for a water and/or wastewater utility regulated by the Florida Public Service Commission (PSC). For further information on rules, service, or rates first contact your utility. The PSC's Office of Consumer Assistance & Outreach is also ready to assist consumers and answer questions.

STANDARD RATE CASE

This procedure is for water/wastewater utilities, or any utility seeking a substantial increase in rates and charges. A case begins when the utility requests a specific time period (a "test year") for PSC analysis of its investments and expenses to determine new rates.

It usually takes 90 to 120 days from the test year approval for the utility to prepare the rate, accounting, and engineering data necessary to support a requested increase. This data, called minimum filing requirements (MFRs), is required by the PSC.

After the MFRs are filed with the PSC, a time clock begins. The PSC has 60 days to officially suspend, deny, or approve the utility's requested rates. Generally, the requested rates are suspended because further investigation is needed. During that time, the PSC may authorize an interim rate increase if the MFRs indicate that the utility is earning less than its last authorized range of return on investment. This interim rate is subject to refund at the conclusion of the case.

Thirty days after the PSC establishes a case time schedule, the utility must notify customers of the rate increase request, and list the present and proposed rates, the case time schedule, and the summary and MFR locations. It must also state that the filing is available on the Commission's website.

The PSC's professional staff review and analyze the utility's submitted data, audit its accounting and billing records, and carefully review its financial operations. Engineering staff study the utility's physical facilities, and review its compliance with local, state, and federal environmental agency rules.

Two or more PSC Commissioners are assigned to the case and make the final decision. One Commissioner is designated the Prehearing Officer and will issue a procedural order that sets a prehearing conference in Tallahassee. A formal evidentiary hearing is held in or close to the utility service area approximately five months into the rate case.

The Office of Public Counsel is authorized by statute to represent consumers in cases before the PSC. Consumer input, such as quality of service, management responsiveness, and the utility's operation and rate structure, are helpful in determining fair and reasonable rates and play an integral part in the PSC's final decision.

Customer testimony is usually heard the morning of the evidentiary hearing, with an evening session also held to accommodate all customer schedules. The hearing is recorded and a transcript is prepared by a court reporter. Each party prepares a brief, and the Commission staff prepares a recommendation based on the evidence presented at the hearing. The panel of Commissioners will vote on each issue at a Commission Conference in Tallahassee. A final order is then prepared based on the Commissioners' vote. The PSC's final decision can be appealed to the First District Court of Appeal and ultimately to the Florida Supreme Court.

The entire process for a standard rate case usually takes eight months.

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PROPOSED AGENCY ACTION PROCESS

Some utilities choose to file a rate case under the PSC's proposed agency action (PAA) process, which forgoes a formal hearing. In the first few months, as a part of the discovery process, the PSC staff schedules a customer meeting to hear customer comments on quality of service and the rates under consideration. Suspension of the utility's proposed rates and the determination of interim rates reflect the standard rate case process.

Since the case has not been to hearing, affected parties are allowed to address the Commission at the Conference when the case is being considered.

The Commission will then vote to adopt, reject, or modify the staff's recommendation. Then, a PAA order is prepared and issued. The order becomes final if a substantially affected person does not protest it within 21 days.

The PAA process takes approximately five months. If the case is protested, it will be scheduled for a hearing, and a final decision will be made within eight months of the protest date.

After the customer meeting and staff investigations have been completed, the staff prepares a recommendation for consideration by the full Commission at a Commission Conference in Tallahassee.



For Further information, contact the
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STAFF ASSISTED RATE CASE

Many small water and wastewater utilities do not have the staff to compile the MFRs for a rate case. Because of their size, it is not economically feasible for them to hire outside engineers, accountants, and attorneys to compile the necessary information without passing these expenses on to consumers.

For this reason, the PSC developed a "staff-assisted" rate case (SARC) program which allows small water or wastewater utilities with annual revenues under \$335,000 to request PSC staff assistance in developing its rate case. For utilities that provide both water and wastewater service, revenues must be under \$670,000 to request a SARC. SARCs help minimize the rate case costs passed on to the customer.

PSC engineers and accountants audit the utility's books and investigate onsite operations. A customer meeting is held to allow customer testimony on its quality of service and the rates under consideration. After considering the customers' testimony, the investigation, and audit findings, a recommendation is prepared and scheduled for a Commission Conference.



Since the case has not been to hearing, affected parties are allowed to address the Commission at the Conference when the case is being considered. The Commission will then vote to adopt, reject, or modify the staff's recommendation. Then, a PAA order is prepared and issued. The order becomes final if a substantially affected person, other than the utility, does not protest it within 21 days.

If the case is protested, it will then be scheduled for hearing. The Commission will usually authorize the PAA order rates subject to refund, until the case is concluded. The Commission has 15 months from the official filing date to issue its order.