



This brochure is designed to explain the rate case procedures for a water and/or wastewater utility regulated by the Florida Public Service Commission (PSC). Inside is a listing of the various types of rate case proceedings and the steps involved. The PSC and its staff are always ready to answer questions about the regulation of public utilities. The Commission's Division of Regulatory Compliance and Consumer Assistance is standing by to assist the customers of regulated utilities. Consumers should initially, however, seek information on rules, service and rates directly from the utility.

How To Contact the Public Service Commission and Its Staff

If you have a problem regarding your service, billing or rates, first attempt to resolve it with the utility. If you still are not satisfied after giving the utility adequate time to correct the problem, call the PSC's Division of Regulatory Compliance and Consumer Assistance at

1-800-342-3552,

or fax your questions to 1-800-511-0809.

You may also contact the PSC via the following E-mail address:
contact@psc.state.fl.us.

In addition, you can visit our Internet home page at www.floridapsc.com.

Or write to the Florida Public Service Commission,
Division of Regulatory Compliance and Consumer Assistance,
2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850.

the Commission at the conference when the case is being considered. The Commission votes to adopt, reject, or modify the staff's recommendation. A proposed agency action order is prepared and issued. The order becomes final if a substantially affected person, other than the utility, does not protest it within a twenty-one-day protest period. If the case is protested, it will be scheduled for hearing. The Commission will usually authorize the rates proposed in the PAA order to go into effect as temporary rates subject to refund, until the case is concluded. The Commission has 15 months from the official filing date in which to issue its order.

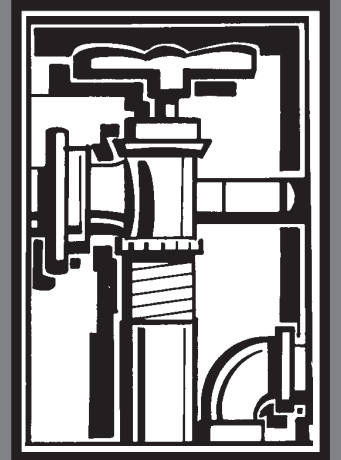


Price Index and Pass-Through Rate Adjustments

The Florida Statutes require the PSC to issue an index for major categories of operating costs each year and to allow the water and wastewater utilities to adjust their rates based on the index in an attempt to partially cover increases or decreases in those costs. Price index rate adjustments have resulted in rate increases from 1 percent to 5 percent over the last few years.

The Florida Statutes also allow water and wastewater utilities to automatically "pass through" any cost increases or decreases for water that is purchased from another utility, for wastewater disposal purchased from another utility, for electric power and ad valorem taxes, and for water and wastewater testing required by the Florida Department of Environmental Protection. The Florida Statutes prohibit a utility from adjusting its rates by indexing or bypass-through more than two times in any 12-month period.

Florida
Public
Service
Commission



Rate Case
Procedures
for
Water
and
Wastewater
Utilities



Standard Rate Case

This procedure is used for larger water/wastewater utilities, or any utility seeking a substantial increase in rates and charges. The case begins

when the utility requests a specific period of time (a “test year”) to be used to determine the proper investment and expenses on which rates should be based. It usually takes 90 to 120 days from the test year approval for the utility to prepare the rate, accounting, and engineering data that are necessary to support a requested increase. These data are required by Florida Public Service Commission (PSC) rules and are called *minimum filing requirements* (MFRs).

When the MFRs are filed with and accepted by the PSC, a statutory timeclock begins. The PSC has 60 days during which it may officially suspend, deny or approve the utility’s requested rates. Generally, the requested rates are suspended because further investigation is needed. During the first 60 days, the statute permits the PSC to authorize an interim rate increase, subject to refund, to go into effect while the case is pending, if the MFRs indicate that the utility is earning less than its last authorized rate of return on investment.

The utility is required to place a copy of the MFRs and a summary of the rate request at its business office in the service area. Copies are also placed in the county library or local community center. Within 30 days after the time schedule for the case is established by the PSC, the utility must begin notifying the customers that a rate increase is being requested, and list the present and utility proposed rates, the time schedule for the case, and the location of the summary and the MFRs.

The PSC has a professional staff that specializes in reviewing and analyzing the data

submitted by the utility in support of its rate request. An audit of the utility’s accounting and billing records is made and the company’s financial operations carefully reviewed. Engineering personnel make a detailed study of the utility’s physical facilities with on-site investigations of the plant. The staff engineer also reviews the utility’s compliance with local, state and federal environmental agency rules.

A panel of two or more Public Service Commissioners will be assigned to hear the case and make a final decision. One of the Commissioners will be designated as the Prehearing Officer to handle procedural matters. The Prehearing Officer will issue a procedural order that will outline dates for filing testimony, holding a prehearing conference in Tallahassee, and conducting a formal hearing, which is usually held in or close to the service area of the utility. Parties begin to develop the issues at the preliminary prehearing conference, and the formal evidentiary hearing is usually held approximately five months into the rate case.

The Office of Public Counsel is authorized by statute to represent consumers in cases before the PSC, and consumer input is an integral part of the hearing and the final decision. The quality of service to the consumer, responsiveness of the management to the consumer, and the history of the utility’s operation and rate structure are all areas in which consumer input is helpful to the PSC’s final determination of a fair and reasonable level of water and wastewater rates.

The morning session of the first day of the hearing is often reserved for customer testimony. Usually an evening session is also held to accommodate customers who work during the daytime. Everything that takes place at the formal hearing is reported by a court reporter, and a transcript is prepared after the hearing. Each of the parties prepares a brief, and the staff of the Commission prepares a recommendation based on the evidence presented at the hearing. The

panel of Commissioners hearing the case will vote on each of the issues at a regularly scheduled agenda conference in Tallahassee. A final order is prepared based on the Commissioners' vote.

The entire process for this type of case usually takes eight months to complete. The PSC’s final decision in a case can be appealed to the First District Court of Appeal and ultimately to the Florida Supreme Court.



Proposed Agency Action Process

Some of the larger utilities, instead of going directly to hearing, choose to file a rate case under the PSC’s *proposed agency action* (PAA) process, in which the case will not be set for a formal hearing. In the first few months of the case, as a part of the discovery process, the PSC staff schedules a customer meeting in the utility’s service area to hear customer comments on quality of service, rate structure and other opinions on the rate case. The suspension of the proposed rates and the determination of interim rates are still the same as in a standard rate case.

After the staff investigations have been completed, and after the customer meeting, the staff prepares a recommendation to be considered by the full Commission at a regularly scheduled agenda conference in Tallahassee. Since the case has not been to hearing at this point, affected parties are allowed to address the Commission at the conference when the case is being considered. The Commission votes to adopt, reject, or modify the staff’s recommendation. A proposed agency action order is prepared and issued. The order becomes final if a substantially affected person does not protest it within a twenty-one-day protest period.

This process usually takes 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 date of the protest.



Staff-Assisted Rate Case

Many of the water and wastewater utilities located throughout the state are very small and do not have

the staff to compile the financial and engineering data that make up the MFRs for a rate case. Because of their size, it is also not economically feasible for them to hire outside engineers, accountants and attorneys to compile the necessary information without great expense, which may be passed on to consumers.

For this reason, the PSC developed a *staff-assisted rate case* (SARC) program in which small utilities with annual water or wastewater revenues under \$150,000 can request that the PSC staff develop the information for the rate case. The primary purpose of this type of program is to avoid passing on to the customer, through higher rates, the substantial cost of having outside consultants develop the rate case data. In a staff-assisted rate case, the PSC staff audits the utility’s books and carefully reviews expenditures and operations. Engineers and accountants make on-site investigations of the company’s operations. A customer meeting is held in the service area to allow the customers to offer testimony on quality of service and comment on the rates under consideration. After considering the testimony of the customers and the findings of the investigations and audit, a staff recommendation is prepared and scheduled for a regular PSC agenda conference.

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