



Florida Public Service Commission

# Consumer Bulletin

Braulio L. Baez, Chairman



## How Utility Rates Are Set

One of the main responsibilities of the Florida Public Service Commission (PSC) is to ensure that the customers of all electric, telephone, natural gas, water, and wastewater utilities it regulates are charged fair, reasonable, and affordable rates. Oftentimes, this goal is achieved when effective rate base and economic regulation procedures are put into place.

Rate base and economic regulation involves utilizing earnings surveillance methods to verify that regulated utilities are not exceeding their authorized rates of return.

An earnings review or rate case process is part of what is called rate base/economic regulation. Currently, the PSC establishes and monitors earnings levels for regulated electric, natural gas, water, and wastewater companies. In addition, there is one remaining telephone company that is subject to rate-of-return regulation.

Whenever a regulated company believes that its earnings are above or below a reasonable level, it can request a change in rates. Either an intervenor (which is an affected party that represents a specific interest or point of view in a case), the state's Public Counsel, or the PSC staff can also request a review of a regulated company's earnings. This phase of the process is called the "petition," which typically initiates an eight-month rate case proceeding.

Once the petition is filed, the PSC begins the earnings review by conducting an extensive analysis of the company's books and determining what fair levels of rates and earnings apply to the company. This review includes a determination of what a reasonable return would be for the company and an analysis of the actual rates charged by the company. This phase of the process is called "discovery."

Service hearings or customer meetings may be scheduled in the local service areas served by the utility seeking the rate increase. Customers may comment or ask questions under oath regarding the proposed rates or make any other statements relating to the utility's operations. Also, additional rate case issues may arise in this phase of the process, which is sometimes referred to as "the hearings." Ultimately, full rate case hearings are scheduled approximately six months into the process. During these hearings,

witnesses from the utility, the Commission staff, the Office of Public Counsel, and any intervenors may present testimony and exhibits are introduced into the proceeding, thus establishing the official "record" in the case. All PSC hearings are open to the public.

Upon completion of the hearings, briefs are filed by all parties to the case summarizing their positions on identified issues. Then, following a detailed review and analysis of the entire record, the PSC staff files a recommendation outlining all of the staff's adjustments to the company's petition. At this point, the case is ready for what is known as the "Final Commission Decision."

During this last phase, the Commissioners review the staff recommendation on the established rate case issues, taking into account the entire record, including all of the intervenors' positions. Following this thorough and careful review, the Commissioners submit their final vote and Commission attorneys prepare a formal order containing the background of the case, the Commission's decisions and the basis for those decisions, the new rates, and the effective date of any rates changed as a result of the Commission's action.

Following issuance of the Commission's order, any party may ask the Commission to reconsider its decision on the issues. After reconsideration, the Public Counsel, the utility, or any other party involved in the proceeding may appeal the Commission's decision to the courts.

If you have any questions about how utility rates are set, you may contact the PSC's Division of Regulatory Compliance and Consumer Assistance toll-free at **1-800-342-3552**, or by e-mail at [contact@psc.state.fl.us](mailto:contact@psc.state.fl.us). The PSC's Web site is located at [www.floridapsc.com](http://www.floridapsc.com) and offers information on a range of utility topics. Please feel free to visit this Web site to review our many brochures and reports about the industries that we regulate.

---

**Braulio L. Baez is the Chairman of the Florida Public Service Commission. The PSC sets the rates regulated utility companies charge for natural gas, electric and telephone service within the state. In 37 counties, it sets the price you pay for the water you drink, if your water company is privately owned.**