#### SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

	Pr	epared By	: Communication	ns and Public Util	ities Committee	!		
BILL:	SB 1656							
SPONSOR:	Senator Fasano							
SUBJECT:	T: Water or Wastewater Utilities/Rates							
DATE:	March 10,	2005	REVISED:					
ANA	LYST	STAI	FF DIRECTOR	REFERENCE		ACTION		
. Halloran/Wiehle		Caldwell		CU	Favorable			
2				CA				
3								
1								
5								
5		-						

## I. Summary:

The bill creates a new method of determining when a refund of interim rate increase revenues is owed and of calculating the refund amount in water and wastewater rate increase proceedings. The new method applies only in proceedings where the Public Service Commission (commission) does not approve the full amount of the final rate increase requested by the utility. The bill also requires the utility to refund to its customers all interim rate revenues collected if the commission does not approve a rate increase or approves a rate decrease.

This bill substantially amends s. 367.082, F.S.

#### **II.** Present Situation:

Section 367.082, F.S., provides that during a proceeding for a change in rates of a water and wastewater utility, the commission may authorize the collection of interim rates until the effective date of a final order in the rate-change proceeding. The interim rate revenue is subject to refund. Both the interim rates and any ultimate refund are calculated according to an earnings-based formula set out in the statute. The commission must enter its order on interim rates within 60 days of the filing of the petition.

The existing statute provides that, at the conclusion of the rate case, the commission can require a refund of all or a portion of the interim rates collected during the pendency of the rate case. A refund could be necessary to reduce the utility's interim rate of return to the approved range of the rate of return that was found fair for setting rates on a prospective basis.

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# III. Effect of Proposed Changes:

Section 1 provides that if a water and wastewater utility is seeking a rate increase and obtains an interim rate increase and if the Commission does not approve the full amount of the final rate increase requested by the utility, the utility may keep only a portion of the interim revenues collected and must refund the rest to its customers. The bill creates a new formula for calculating the amounts of interim revenues to be retained and refunded. The new formula is not earnings-based. It provides the following:

Interim revenues x <u>Actual rate increase allowed</u> = Amount of interim collected Rate increase requested revenues the utility may retain

Under this formula, the maximum portion of interim revenues that the utility could keep once a final decision has been made on the permanent rate increase is determined by multiplying the total interim revenues collected by a fraction derived from dividing the actual rate increase allowed by the commission by the annual rate increase requested by the utility. The difference between this calculated amount and the interim revenues collected would be refunded to the customers.

The bill also requires that all interim revenues collected by the utility be refunded if, at the end of the rate case, no rate increase is approved or a rate decrease is approved. This is a new requirement not addressed in the current statute. However, according to the commission, this has been its practice.

Section 2 provides that the bill takes effect on July 1, 2005.

#### IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

### V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

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# B. Private Sector Impact:

The bill creates a new method of determining when a refund is owed and how much is owed in water and wastewater rate increase proceedings involving both a permanent rate increase and an interim rate increase. The new method will result in different outcomes than the current earnings test, and may, in some situations, result in the utility receiving less revenue during the interim period than the amount approved on a going-forward basis.

# C. Government Sector Impact:

None.

#### VI. Technical Deficiencies:

None.

## VII. Related Issues:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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# **VIII.** Summary of Amendments:

None.

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