

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Committee on Regulated Industries

BILL: CS/SB 126

INTRODUCER: Regulated Industries Committee and Senators Gaetz and Bradley

SUBJECT: Florida Public Service Commission

DATE: December 11, 2025 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Schrader	Imhof	RI	Fav/CS
2.			AEG	
3.			FP	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 126 makes several revisions to Florida law regarding the Florida Public Service Commission (PSC). The bill:

- Expands the number of PSC commissioners from five to seven and establishes that one commissioner be a certified public accountant and one commissioner be a chartered financial analyst.
- Requires the PSC, when issuing orders, to provide adequate support for their conclusions.
- Requires the PSC to provide reasoned explanations for its decision (citing specific facts and factors it relied on) for orders affecting substantial interests, when issuing an order accepting or denying or denying a settlement agreement, and a discussion of the major elements of that settlement.
- Requires parties to negotiate with the Public Counsel in good faith before presenting a settlement to the PSC.
- Requires that any trade, professional, or similar association seeking to intervene in a PSC proceeding must disclose certain information in their motion to intervene.
- Requires that the PSC rule on any intervention challenge on a timely basis and, at minimum, within 30 days.
- Requires that the PSC consider affordability in its proceedings that have the potential to impact utility rates.
- Adds affordability to the factors the PSC must consider in rate proceedings for public utilities and water and wastewater utilities under its jurisdiction.

- Creates a requirement that the PSC establish a schedule for when a public utility may petition for a proceeding that involves a change in return on equity. The bill also establishes a procedure for when the PSC may wave this schedule.
- Requires the PSC, when evaluating a return on equity for a utility, to use financial models meeting certain requirements and that the PSC specifically address the financial benefits and risk reduction created by the cost recovery mechanisms already in law. It also deletes a provision requiring return on equity to not exceed the national average authorized return on equity for comparable public utilities across the country.
- Creates an interim storm-recovery cost mechanism for public electric utilities.
- Requires the PSC to submit an annual report on public utility rates which includes benchmarking and analysis on economics, cost impacts, return on equity, and executive compensation.

The bill has an effective date of July 1, 2026.

II. Present Situation:

Florida Public Service Commission

The Florida Public Service Commission (PSC) is an arm of the legislative branch of government.¹ The role of the PSC is to ensure Florida's consumers receive utility services, including electric, natural gas, telephone, water, and wastewater, in a safe and reliable manner and at fair prices.² In order to do so, the PSC exercises authority over utilities in one or more of the following areas: rate base or economic regulation; competitive market oversight; and monitoring of safety, reliability, and service issues.³

Composition of the PSC

The PSC consists of five commissioners who serve staggered four-year terms.⁴ Commissioners are appointed by the Governor from a pool of at least three nominees—selected by the Florida Public Service Commission Nominating Council⁵—for each commissioner vacancy. These appointments are subject to confirmation by the Florida Senate during the next regular session after the vacancy occurs. If the Senate refuses to confirm or fails to consider the Governor's appointment, the council must initiate the nominating process within 30 days. Before the council nominates a candidate, it must determine that the person is competent and knowledgeable in one or more fields, including, but not limited to:

- Public affairs;

¹ Section 350.001, F.S.

² See Florida Public Service Commission, *Florida Public Service Commission Homepage*, <http://www.psc.state.fl.us> (last visited Dec. 3, 2025).

³ Florida Public Service Commission, *About the PSC*, <https://www.psc.state.fl.us/about> (last visited Dec. 3, 2025).

⁴ Section 350.01, F.S.

⁵ The Florida Public Service Commission Nominating Council is a 12-member body with the responsibility to select nominees for PSC commissioners. At least one member of the council must be 60 years of age or older. Six members, including three members of the Florida House of Representatives, one of whom must be a member of the minority party, shall be appointed by, and serve at the pleasure of, the Speaker of the House of Representatives. Six members, including three members of the Florida Senate, one of whom must be a member of the minority party, shall be appointed by, and serve at the pleasure of, the President of the Senate. Section 350.031(1)(a), F.S.

- Law;
- Economics;
- Accounting;
- Engineering;
- Finance;
- Natural resource conservation;
- Energy; or
- Another field substantially related to the duties and functions of the PSC.⁶

Electric and Gas Utilities

The PSC monitors the safety and reliability of the electric power grid⁷ and may order the addition or repair of infrastructure as necessary.⁸ The PSC has broad jurisdiction over the rates and service of investor-owned electric and gas utilities⁹ (defined as “public utilities” under ch. 366, F.S.).¹⁰ However, the PSC does not fully regulate municipal electric utilities (utilities owned or operated on behalf of a municipality) or rural electric cooperatives. The PSC does have jurisdiction over these types of utilities with regard to rate structure, territorial boundaries, and bulk power supply operations and planning.¹¹ Municipally-owned utility rates and revenues are regulated by their respective local governments or local utility boards. Rates and revenues for a cooperative utility are regulated by its governing body elected by the cooperative’s membership.

Municipal Electric and Gas Utilities, and Special Gas Districts, in Florida

A municipal electric or gas utility is an electric or gas utility owned and operated by a municipality. A “special gas district” is a dependent or independent special district, setup pursuant to ch. 189, F.S., to provide natural gas service.¹² Chapter 366, F.S., provides the majority of electric and gas utility regulations for Florida. While ch. 366, F.S., does not provide a definition, per se, for a “municipal utility,” variations of this terminology and the concept of these types of utilities appear throughout the chapter. Currently, Florida has 33 municipal electric utilities that serve over 14 percent of the state’s electric utility customers.¹³ Florida also has 27 municipally-owned gas utilities and four special gas districts.¹⁴

⁶ Section 350.031(5), F.S.

⁷ Section 366.04(5) and (6), F.S.

⁸ Section 366.05(1) and (8), F.S.

⁹ Section 366.05, F.S.

¹⁰ Section 366.02(8), F.S.

¹¹ Florida Public Service Commission, *About the PSC*, *supra* note 3.

¹² Section 189.012(6), F.S., defines a “special district” as “a unit of local government created for a special purpose, as opposed to a general purpose, which has jurisdiction to operate within a limited geographic boundary and is created by general law, special act, local ordinance, or by rule of the Governor and Cabinet.”

¹³ Florida Municipal Electric Association, *About Us*, <https://www.flpublicpower.com/about-us> (last visited Dec. 3, 2025).

¹⁴ Florida Public Service Commission, *2025 Facts and Figures of the Florida Utility Industry*, pg. 14, Apr. 2025 (available at: <https://www.floridapsc.com/pscfiles/website-files/PDF/Publications/Reports/General/FactsAndFigures/April%202025.pdf>).

Rural Electric Cooperatives in Florida

At present, Florida has 18 rural electric cooperatives, with 16 of these cooperatives being distribution cooperatives and two being generation and transmission cooperatives.¹⁵ These cooperatives operate in 57 of Florida's 67 counties and have more than 2.7 million customers.¹⁶ Florida rural electric cooperatives serve a large percentage of area, but have a low customer density. Specifically, Florida cooperatives serve approximately 10 percent of Florida's total electric utility customers, but their service territory covers 60 percent of Florida's total land mass. Each cooperative is governed by a board of cooperative members elected by the cooperative's membership.¹⁷

Public Electric and Gas Utilities in Florida

There are four investor-owned electric utility companies (electric IOUs) in Florida: Florida Power & Light Company (FPL), Duke Energy Florida (Duke), Tampa Electric Company (TECO), and Florida Public Utilities Corporation (FPUC).¹⁸ In addition, there are five investor-owned natural gas utility companies (gas IOUs) in Florida: Florida City Gas, FPUC, Peoples Gas System, Sebring Gas System, and St. Joe Natural Gas Company. Of these five gas IOUs, four engage in the merchant function servicing residential, commercial, and industrial customers: Florida City Gas, FPUC, Peoples Gas System, and St. Joe Natural Gas Company. Sebring Gas System is only engaged in firm transportation service.¹⁹

Electric IOU and gas IOU rates and revenues are regulated by the PSC, and the utilities must file periodic earnings reports. This allows the PSC to monitor earnings levels on an ongoing basis and adjust customer rates quickly if a company appears to be overearning.²⁰ If a utility believes it is earning below a reasonable level, it can petition the PSC for a change in rates.²¹

Section 366.041(2), F.S., requires public utilities to provide adequate service to customers. As compensation for fulfilling that obligation, s. 366.06, F.S., requires the PSC to allow the IOUs to recover honestly and prudently invested costs of providing service, including investments in infrastructure and operating expenses used to provide electric service.²²

Water and Wastewater Utilities

Florida's Water and Wastewater System Regulatory Law, ch. 367, F.S., regulates water and wastewater systems in the state. Section 367.011, F.S., grants the PSC exclusive jurisdiction over each utility with respect to its authority, service, and rates. For the chapter, a "utility" is defined as "a water or wastewater utility and, except as provided in s. 367.022, F.S., includes every person, lessee, trustee, or receiver owning, operating, managing, or controlling a system, or

¹⁵ Florida Electric Cooperative Association, *Members*, <https://feca.com/members/> (last visited Dec. 3, 2025).

¹⁶ Florida Electric Cooperative Association, *Our History*, <https://feca.com/our-history/> (last visited Dec. 3, 2025).

¹⁷ *Id.*

¹⁸ Florida Public Service Commission, *2025 Facts and Figures of the Florida Utility Industry*, *supra* note 14, at 4.

¹⁹ *Id.* at 15. Firm transportation service is offered to customers under schedules or contracts which anticipate no interruption under almost all operating conditions. *See* Firm transportation service, 18 CFR s. 284.7.

²⁰ PSC, *2024 Annual Report*, p. 6, (available at: <https://www.floridapsc.com/pscfiles/website-files/PDF/Publications/Reports/General/AnnualReports/2024.pdf>) (last visited Dec. 5, 2025).

²¹ *Id.*

²² *Id.*

proposing construction of a system, who is providing, or proposes to provide, water or wastewater service to the public for compensation.” In 2024, the PSC had jurisdiction over 153 investor-owned water and/or wastewater utilities in 40 of Florida’s 67 counties.²³

Section 367.022, F.S., exempts certain types of water and wastewater operations from PSC jurisdiction and the provisions of ch. 367, F.S. (except as expressly provided in the chapter). Such exempt operations include: municipal water and wastewater systems, public lodging systems that only provide service to their guests, systems with a 100-person or less capacity, landlords that include service to their tenants without specific compensation for such service, and mobile home parks operating both as a mobile home park and a mobile home subdivision that provide “service within the park and subdivision to a combination of both tenants and lot owners, provided that the service to tenants is without specific compensation,” and others.²⁴ The PSC also does not regulate utilities in counties that have exempted themselves from PSC regulation pursuant to s. 367.171, F.S. However, under s. 367.171(7), F.S., the PSC retains exclusive jurisdiction over all utility systems whose service crosses county boundaries, except for utility systems that are subject to interlocal utility agreements.

Municipal Water and Sewer Utilities in Florida

A municipality²⁵ may establish a utility by resolution or ordinance under s. 180.03, F.S. A municipality may establish a service area within its municipal boundary or within five miles of its corporate limits of the municipality.²⁶

Under s. 180.19, F.S., a municipality may permit another municipality and the owners or association of owners of lands outside of its corporate limits or within another municipality’s corporate limits to connect to its utilities upon such terms and conditions as may be agreed upon between the municipalities.

The PSC does not have jurisdiction over municipal water and sewer utilities, and as such, has no authority over the rates for such utilities. Municipally-owned water and sewer utility rates and revenues are regulated by their respective local governments, sometimes through a utility board or commission.

PSC Setting of Public Utility Rates and Other Charges

Section 366.041, F.S., establishes the considerations the PSC must apply in fixing just, reasonable, and compensatory rates:

the [PSC] is authorized to give consideration, among other things, to the efficiency, sufficiency, and adequacy of the facilities provided and the services rendered; the cost of providing such service and the value of such service to the public; the ability of the utility to improve such service and facilities; and energy conservation and the efficient

²³ Florida Public Service Commission, *2025 Facts and Figures of the Florida Utility Industry*, *supra* note 14, at 4.

²⁴ Section 367.022, F.S.

²⁵ Defined by s. 180.01, F.S., “as any city, town, or village duly incorporated under the laws of the state.”

²⁶ Section 180.02, F.S., *see also* s. 180.06, F.S.

use of alternative energy resources; provided that no public utility shall be denied a reasonable rate of return upon its rate base

Section 366.06, F.S., establishes the PSC's authority to establish and implement procedures for the fixing of and changing public utility rates. Under this section, all applications made by public utilities for changes in rates must be in writing with the PSC under the PSC's established rules and regulations.²⁷ Section 366.06(2), F.S., requires the PSC to hold a public hearing whenever it finds, upon request made, or upon its own motion, one or more of the following:

- That the rates demanded, charged, or collected by any public utility for public utility service, or that the rules, regulations, or practices of any public utility affecting such rates, are unjust, unreasonable, unjustly discriminatory, or in violation of law;
- That such rates are insufficient to yield reasonable compensation for the services rendered;
- That such rates yield excessive compensation for services rendered; or
- That such service is inadequate or cannot be obtained.

During such a hearing, the PSC must determine just and reasonable rates to be thereafter charged for such service, and promulgate rules and regulations affecting equipment, facilities, and service to be thereafter installed, furnished, and used.²⁸

The PSC establishes separate rates and charges for various components of a public utility's cost of providing service to its customers. These are established through various proceedings and processes which include:

- Base rate proceedings (also known as rate cases);
- Cost recovery clauses;
- Interim charges;
- Infrastructure surcharges;
- Tariffs.²⁹

Rate Cases

Rate cases are generally held less frequently than the PSC's other rate and charge proceedings for public utilities. For a public utility, these wide-ranging proceedings seek to address:

- A reasonable rate of return on investment;
- Operating and maintenance expenses; and
- Cost of administering the public utility.³⁰

According to the PSC, in setting a reasonable rate of return, it is guided by the principles established in *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679 (1923) and *Fed. Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).³¹ In *Bluefield*, the United States Supreme Court found that:

²⁷ Section 366.06(1), F.S.

²⁸ *Id.*

²⁹ Florida Public Service Commission, *2026 Agency Legislative Bill Analysis for SB 126*, (Nov. 7, 2025) (on file with the Senate Committee on Regulated Industries).

³⁰ *Id.*

³¹ *Id.*

Rates which are not sufficient to yield a reasonable return on the value of the property used at the time it is being used to render the service are unjust, unreasonable and confiscatory, and their enforcement deprives the public utility company of its property in violation of the Fourteenth Amendment....A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding, risks and uncertainties.³²

Further, the court in *Bluefield* found that such return should be “reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.” Further, this “rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.”³³ Thus, for a rate of return to be non-confiscatory, it must be adjusted as broader-market circumstances change.

The Supreme Court in *Hope* found that:

The fixing of ‘just and reasonable’ rates, involves a balancing of the investor and the consumer interests.... From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business.... By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.³⁴

In *Hope*, the Supreme Court also reiterates its previous decision in *Fed. Power Comm'n v. Nat. Gas Pipeline Co. of Am.*, 315 U.S. 575, 586 (1942) that the “[United States] Constitution does not bind rate-making bodies to the service of any single formula or combination of formulas.” Rather, it is “not theory but the impact of the rate order which counts.”³⁵ The court cites with approval that the Federal Power Commission, in its rate-making function, uses “pragmatic adjustments” in fixing rates.³⁶

In a base rate proceeding, the PSC establishes a public utility’s rate of return or cost of capital. It sets this based on:

- Return on equity (ROE);
- Long-term and short-term debt;
- Customer deposits; and

³² *Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679, 690-92 (1923).

³³ *Id.* at 692.

³⁴ *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944).

³⁵ *Id.* at 602.

³⁶ *Id.*

- Deferred taxes.³⁷

The PSC, in a rate proceeding, develops a substantial evidentiary record, which includes analysis of ROE using models generally used in the utility industry. The PSC also takes into account various risks to the public utility when setting ROE. When the PSC approves an ROE for a public utility, it does so within a 100-basis point rate of return (i.e. plus or minus 1 percent).³⁸

The rate of return actually earned by the utility is dependent on both the utility's ability to manage costs and react to other factors that may impact its operations. These factors may include:

- Changes in revenues due to the impact of weather on sales;
- New, modified, or cancelled tariffed rates or charges;
- Costs of materials, supplies, and labor; and
- Interest rates affecting the cost of debt.³⁹

Salaries and benefits paid to employees of the public utility, including its executives, are part of the PSC's review in a rate case proceeding and the PSC examines these figures in the aggregate. In determining whether such expenses are reasonable and prudent, the PSC will consider industry norms and the need to attract and retain qualified executive and non-executive utility personnel.⁴⁰

After the conclusion of a rate case, the PSC will monitor the earnings of a public utility through regular surveillance reports to ensure the utility is operating within its authorized ROE range. Currently, public electric utilities with 50,000 or more customers must submit such reports monthly; those with less than 50,000 customers must do so quarterly.⁴¹ Public gas utilities, with 25,000 or more customers, must submit such reports quarterly; those with less than 25,000 customers must do so semiannually.⁴² If these reports show a public utility is earning outside of its approved ROE range, the PSC will inquire with the utility and take corrective action if needed.⁴³

Establishment of other Bases of Public Utility Customer Charges

Outside of rate cases, the PSC also has other processes for revising, or creating, utility rates and charges. These proceedings include cost recovery clause proceedings and interim charges.

Cost recovery clause proceedings allow public utilities to recover variable, volatile, or legislatively mandated costs.⁴⁴ For public electric utilities, the PSC holds annual hearings to allow the utilities to recover expenditures on:

- Fuel and purchased power costs;

³⁷ Florida Public Service Commission, *2026 Agency Legislative Bill Analysis for SB 126*, *supra* note 29.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ Fla. Admin Code R. 25-6.1352.

⁴² Fla. Admin Code R. 25-7.1352.

⁴³ Florida Public Service Commission, *2026 Agency Legislative Bill Analysis for SB 126*, *supra* note 29.

⁴⁴ *Id.*

- Capacity costs;
- Environmental compliance costs pursuant to s. 366.8255, F.S.;
- Storm protection plan costs pursuant to s. 366.96, F.S.; and
- Energy conservation program costs pursuant to s. 366.80 through 366.83, F.S.

Section 366.93, F.S., also authorizes similar cost recovery for nuclear costs. However, the PSC has not conducted a nuclear cost recovery proceeding since 2018 as no public utility has petitioned for recovery under this clause since that year.⁴⁵

For public natural gas utilities, the PSC holds annual hearings to allow the utilities to recover expenditures on:

- Purchased natural gas costs;
- Energy conservation costs pursuant to s. 366.80 through 366.83, F.S.; and
- Natural gas infrastructure relocation costs pursuant to s. 366.99, F.S.⁴⁶

Outside of cost recovery clause proceedings, the PSC also provides a process for establishing interim charges to quickly recover estimated storm-recovery related expenses. These interim charges are time-limited and are subject to a final true-up proceeding once final costs can be determined for a particular storm or series of storms.⁴⁷

The PSC does not establish ROEs or overall rates of returns in recovery clause and interim charge proceedings, as these focused rate proceedings are limited in scope. Rather, ROE and overall rates of return are set during rate cases, as those proceedings are substantially broader in scope.⁴⁸

Incremental Storm Restoration Charges

Public electric utilities can file a request with the PSC to recover incremental storm restoration costs (i.e. costs over-and-above what the utility would have normally spent to operate in absence of storms—sometimes referred to as a “blue sky day”) from one or multiple storms (*see* Rule 25-6.0143, Florida Administrative Code). These costs would include labor expenses, logistics (such as meals and lodging in staging areas), transportation and vehicle costs, waste management, materials and supplies, fuel, communications, and vegetative management. These costs are generally recovered through an approved interim surcharge on customer bills and a subsequent true-up for any over or under recovery.

Pursuant to settlement agreements⁴⁹ in place during the most recent round of public electric utility storm restoration cost recovery in 2024 and 2025, the PSC will generally approve these

⁴⁵ Florida Public Service Commission, *2025 Agency Legislative Bill Analysis for SB 354*, (Feb. 28, 2025) (on file with the Senate Committee on Regulated Industries).

⁴⁶ Florida Public Service Commission, *2026 Agency Legislative Bill Analysis for SB 126*, *supra* note 29.

⁴⁷ *Id.*

⁴⁸ Florida Public Service Commission, *2026 Agency Legislative Bill Analysis for SB 126*, *supra* note 29.

⁴⁹ *See* the settlements filed and approved for FPL in 2021, *In re: Petition for rate increase by Florida Power & Light Company*, No. 20210015-EI (Fla. Pub. Serv. Comm’n, Dec. 2, 2021) (Order No. PSC-2021-0446-S-EI), for Duke in 2024, *In re: Petition for rate increase by Duke Energy Florida, LLC*, No. 20240025-EI (Fla. Pub. Serv. Comm’n, Nov. 12, 2024) (Order No. PSC-2024-0472-AS-EI), for TECO in 2021 *In re: Petition for rate increase by Tampa Electric Company*, No. 20210034-EI (Fla. Pub. Serv. Comm’n, Nov. 10, 2021) (Order No. PSC-2021-0423-S-EI).

interim recoveries with limited review, with recovery starting 60 days after the filing of a cost recovery petition and revised tariffs by the utility. After the PSC reviews the actual storm recovery costs for prudence and reasonableness—and compares the costs to the actual amount recovered through the interim storm restoration recovery charge—the PSC will make a determination on whether any over or under recovery has occurred and adjust customer charges accordingly. The PSC may also authorize, in such proceedings, replenishment of the utility’s storm reserves which may have been depleted recovering from storms.⁵⁰

Tariffs

A public utility’s tariffs are a series of documents, approved by the PSC, that provide the utility’s rates, terms, and conditions for service. These tariffs also include standardized forms for the utility’s service offerings and its standard contracts and agreements. Tariffs are generally revised, as necessary, after a PSC-approved change in a utility’s rates or charges and are generally part of any proceeding revising rates or charges. Utilities may also request a tariff change if circumstances warrant doing so. However, the PSC does not establish ROE or overall rates of return in reviewing stand-alone requests to approve a new, modified, or canceled tariff.⁵¹

Decisions of the PSC

Floridians Against Increased Rates, Inc. v. Clark

Floridians Against Increased Rates, Inc. v. Clark, 371 So. 3d 905 (Fla. 2023), involved an appeal of a rate case proceeding for FPL. This rate case, which involved seven intervening parties, was originally resolved via settlement at the PSC in January 2022. The wide-ranging settlement resolved a number of issues including:

- Incremental increases in rates for certain solar projects;
- Equity-to-debt ratio authorization;
- Establishing an allowed ROE;
- Base rate charges;
- Allowable investment in power generation facilities, transmission and distribution systems, and several pilot programs for electric vehicles (EV) and renewable energy;
- Authorization to expand FPL’s SolarTogether program;⁵²
- Depreciation timelines;
- Incremental rate changes for storm impacts;

⁵⁰ See *In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Debby, Helene, and Milton, Florida Power & Light Co.*, No. 20240149-EI (Fla. Pub. Serv. Comm’n, Dec. 17, 2024) (Order No. PSC- 2024-0503-PCO-EI), *In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Debby, Helene and Milton, by Duke Energy Florida, LLC.*, No. 20240173-EI (Fla. Pub. Serv. Comm’n, Feb. 24, 2025) (Order No. PSC-2025-0061-PCO-EI), *In re: Petition for recovery of costs associated with named tropical systems during the 2023 and 2024 hurricane seasons and replenishment of storm reserve, by Tampa Electric Company*, No. 20240172-EI (Fla. Pub. Serv. Comm’n, Feb. 24, 2025) (Order No. PSC-2025-0062-PCO-EI). FPUC’s most recent storm recovery charge was related to Hurricane Michael and established in 2019—it is set to expire in December of 2025; however, its most recent settlement agreement, approved by the PSC on July 24, 2025, contains similar provisions. *In re: Petition for rate increase by Florida Public Utilities Company*, No. 20240099-EI (Fla. Pub. Serv. Comm’n, Jul. 24, 2025) (Order No. PSC-2025-0287-AS-EI).

⁵¹ Florida Public Service Commission, 2026 *Agency Legislative Bill Analysis for SB 126*, *supra* note 29.

⁵² FPL’s SolarTogether program allocates newly built solar capacity to different customer classes and allows customers to subscribe to a portion of this capacity in exchange for a credit funded by the general body of ratepayers.

- Savings from an expanded version of its asset optimization program; and
- Recovery of certain retired assets.⁵³

At the PSC hearing on the settlement, Floridians Against Increased Rates, Inc. (FAIR), who were not signatories to the settlement, opposed the settlement based on assertions that it was not in the public interest and would result in unreasonably high rates. Signatories to the settlement made a wide-ranging argument to the PSC as to how the settlement was in the public interest.⁵⁴ The PSC concluded that the settlement “provides a reasonable resolution of all issues raised, establishes rates that are fair, just, and reasonable, and is in the public interest,” and approved the settlement. FAIR appealed the PSC’s decision to the Florida Supreme Court.

In its review of the case, the court noted that the PSC’s decisions arrive to the court “with the presumption that they are reasonable and just,” and that the court should not “upset the carefully constructed constitutional and statutory process applicable here by ourselves supplying a basis for the [PSC] action that the [PSC], with its expertise, did not offer.” To do so, would, in essence, propel “the court into the domain which [the Legislature] has set aside exclusively for the administrative agency.”⁵⁵

However, the court noted that it must still endeavor to determine whether the PSC has exercised its discretion within the range delegated to it by the Legislature.⁵⁶ In order to do so, the court must look to the reasons given by the PSC for its decision.⁵⁷ Thus, the PSC must give the court “something to work with: a decision that is reasoned and articulated enough to allow us to assess on what basis it has concluded that the settlement agreement is in the public interest and results in rates that are fair, just, and reasonable”⁵⁸ The court noted, in discussing the PSC’s order approving the settlement, that “the [PSC’s] reasoning about whether all this is in the public interest covers less than two pages of the over 70,000 in the record we have for review.”⁵⁹

While the PSC is not required to resolve every issue independently, it must “discuss...the major elements of the settlement agreement and explain...why it [is] in the public interest.”⁶⁰ This includes “considering the competing arguments made by the parties below in light of the factors relevant to the [PSC’s] decision, and supplying, given these arguments and factors, an explanation of how the evidence presented led to its decision.” Essentially, it is not enough for the PSC’s decision to be simply reasoned, it must be reasonably explained.⁶¹

In this case, the court found that the PSC failed to reasonably explain its decision. In remanding the case back to the PSC, the court noted that “after hearing from 60 witnesses and receiving 635 exhibits into evidence, the [PSC] produced an explanation of its public interest determination that spanned little more than a page,” and the order provided nothing more than “conclusory

⁵³ *Floridians Against Increased Rates, Inc. v. Clark*, 371 So. 3d 905, 906–08 (Fla. 2023)

⁵⁴ *Id.* at 908-09.

⁵⁵ *Id.* at 911.

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.* at 910.

⁶⁰ *Id.* at 912. *Citing to Sierra Club v. Brown*, 243 So. 3d 903, 913 (Fla. 2018).

⁶¹ *Id.*

statements about the virtues of the settlement agreement, not the reasoned explanation required for our review.”⁶²

***Florida Rising, Inc. v. Fla. Pub. Serv. Comm'n*, 415 So. 3d 135 (Fla. 2025)**

After remand back to the PSC in *Floridians Against Increased Rates*, the PSC reasoned that the Supreme Court “neither affirmed nor reversed its conclusion that the Settlement was in the public interest, instead remanding for a further explanation of its approval. And with that limited scope in mind, the Commission issued a Supplemental Final Order on March 25, 2024.”⁶³ This final order was again appealed to the *Supreme Court in Florida Rising, Inc. v. Florida Pub. Serv. Comm'n*, 415 So. 3d 135 (Fla. 2025).

As noted by the Supreme Court, the resulting final order identified 15 issues presented by the parties and certain mandatory and discretionary factors were used in weighing the parties’ arguments. The PSC then addressed each argument and explained how the evidence presented by the parties informed its analysis in, again, concluding that the settlement in question was in the public interest.⁶⁴

In this case, however, the Supreme Court concluded that the PSC’s decision was supported by competent, substantial evidence and that the record supported the PSC’s determination. Further, the PSC had acted within its range of authorized discretion.⁶⁵

Standing to Intervene in Administrative Proceedings under Chapter 120, F.S.

Generally, third parties may intervene into administrative proceedings, other than agency enforcement proceedings,⁶⁶ if the substantial interest of that intervening party may be impacted by the proceedings and such interest is within the zone of interest intended to be protected by such proceedings. The seminal case on administrative standing in Florida is *Agrico Chem. Co. v. Dep’t of Env’tl. Regulation*, 406 So. 2d 478 (Fla. 2d DCA 1981). The court in *Agrico* established what is commonly known as the Agrico Test. This two-prong test requires, for a party to have standing in an administrative proceeding, to demonstrate that it:

- Will suffer an injury in fact which is of sufficient immediacy to entitle it to a hearing; and
- Such substantial injury is of a type or nature which the proceeding in question is designed to protect.⁶⁷

For trade and professional associations, courts have expanded these standing requirements. The intervening association must meet the three-prong test established pursuant to *Florida Home Builders Association v. Department of Labor and Employment Security*, 412 So. 2d 351, 353-54 (Fla. 1982), and *Farmworker Rights Organization, Inc. v. Department of Health and*

⁶² *Id.* at 913.

⁶³ *Florida Rising, Inc. v. Florida Pub. Serv. Comm’n*, 415 So. 3d 135, 139 (Fla. 2025) and *In Re: Petition for Rate Increase by Florida Power & Light Co.*, 2024 WL 1363693 (Mar. 25, 2024).

⁶⁴ *Id.* at 139.

⁶⁵ *Id.* at 144-45.

⁶⁶ *Morgan v. Dep’t of Env’tl. Prot.*, 98 So. 3d 651, 652 (Fla. 3d DCA 2012).

⁶⁷ *Agrico Chem. Co. v. Dep’t of Env’tl. Regulation*, 406 So. 2d 478, 482 (Fla. 2d DCA 1981).

Rehabilitative Services, 417 So. 2d 753, 754 (Fla. 1st DCA 1982). Read together,⁶⁸ these cases require that a trade or professional association intervenor must meet all of the following requirements in order to have standing in an administrative proceeding:

- A substantial number of the association's members, although not necessarily a majority, are substantially affected by the agency's decision or rule;
- The subject matter of the proceeding is within the association's general scope of interest and activity; and
- The relief requested is of a type appropriate for the association to receive on behalf of its members.

Florida Public Counsel

Florida's Public Counsel, appointed by the Florida Senate and House of Representatives joint Committee on Public Counsel Oversight, represents the general public in proceedings before the PSC and before counties that regulate water and wastewater utilities.⁶⁹ Specifically, s. 350.0611, F.S., specifies that the Public Counsel "shall have such powers as are necessary to carry out the duties of his or her office, including, but not limited to, the following:"

- To recommend to the PSC or the counties commencement of proceeding or action or to appear in proceedings or actions before the PSC or the counties and:
 - Take position which they deem to be in the public interest; and
 - Utilize all forms of discovery available to attorneys in civil actions generally subject to protective orders issued by the PSC or the counties;
- To have access to and use of all files, records, and data of the PSC or the counties available to any other attorney representing parties in that venue;
- In proceedings in the PSC participates as a party, to seek judicial review of any determination, finding, or order;
- To prepare and issue reports, recommendations, and proposed orders to the PSC, the Governor, and the Legislature on any matter or subject within the PSC's jurisdiction, and to make such recommendations as he or she deems appropriate for legislation relative to PSC procedures, rules, jurisdiction, personnel, and functions; and
- To appear before other state agencies, federal agencies, and state and federal courts in connection with matters under the jurisdiction of the PSC.

The Office of Public Counsel, supervised by the Public Counsel, employs a number of professional staff, including clerical, technical, and legal staff—including attorneys—that assist the Public Counsel in carrying out their statutory duties.⁷⁰

III. Effect of Proposed Changes:

Section 1 of the bill amends s. 350.01(1), F.S., to expand the membership of the Florida Public Service Commission (PSC) from five to seven commissioners. It also adds a requirement that

⁶⁸ *Farmworker Rights Org., Inc. v. Dep't of Health & Rehab. Services*, 417 So. 2d 753 (Fla. 1st DCA 1982), held that the 3-prong standing requirements for associations as set forth in *Florida Home Builders* (which was a rule challenge case) applies equally to proceedings under ch. 120, F.S., involving agency rule challenges and agency adjudicatory proceedings.

⁶⁹ Sections 350.061 and 350.0611, F.S.

⁷⁰ Sections 350.061, 350.0613, and 350.0614, F.S., and State of Florida Office of Public Counsel, *Florida Office of the Public Counsel Homepage*, <https://www.floridaopc.gov/Pages/Index.aspx> (last visited Dec. 11, 2025).

one commissioner be a certified public accountant and one commissioner be a chartered financial analyst.⁷¹

Section 2 of the bill creates s. 350.0615, F.S., to require that, in proceedings before the PSC where the Public Counsel has intervened, parties to such proceedings must negotiate in good faith with the Public Counsel before presenting any settlement to the PSC.

Section 3 of the bill creates s. 350.129, F.S., to require that, when the PSC issues an order, it must do so with adequate support and rationale for its conclusions—this would include citing to specific facts and factors upon which those conclusions are based. While the bill maintains current law that the PSC may continue to make conclusions in the public interest, it must specify its rationale in doing so. In addition, when the PSC accepts or denies a settlement agreement (in its orders affecting substantial interests under s. 120.569, F.S.), it must provide a reasoned explanation, with citation to specific facts and factors upon which it relied, for doing so. The commission also must provide in its order regarding such settlements, a discussion of the major elements of the settlement and a rationale for its conclusions.

The section also specifies that while the Public Counsel is not a required party to a settlement, the PSC may not consider a settlement where the parties have not negotiated the terms of such with the Public Counsel.

Section 4 of the bill creates s. 350.130, F.S., clarifying that parties, other than the original party to a PSC hearing, whose substantial interest will be affected by the PSC proceeding, may make a motion to the PSC for leave to intervene in the proceeding pursuant to ch. 120, F.S. The section also requires that if such party is a trade, professional, or similar association seeking to intervene in a PSC proceeding on the basis of the impact of such proceeding on the association's membership, it must provide in its motion to intervene:

- The nature of the association's membership;
- The manner in which such membership will be substantially impacted by the proceeding; and
- The number and percentage of total members who will be substantially impacted by the proceeding.

The section also requires that, in order to avoid unnecessary rate case expense, the PSC must rule on any challenge to a party's intervention in a proceeding on the basis of standing on a timely basis and, at minimum, within 30 days after receiving such challenge.

Section 5 of the bill creates s. 350.131, F.S., to specify that the PSC must consider affordability in any proceeding before it that has the potential to impact utility rates.

Section 6 of the bill amends s. 366.06, F.S., to provide that any application for a change in public utility rates that includes a request for a change in the utility's return on equity (ROE) must be made according to the schedule and procedure established by the PSC pursuant to the revisions in s. 366.07, F.S. provided in the bill.

⁷¹ The bill does not specify whether one commissioner holding both a CFA and CPA would satisfy this requirement.

The section also adds “affordability” to the factors the PSC must consider in establishing public utility rates. It also requires the PSC, when setting and evaluating a public utility’s ROE, to utilize only financial models that are financially logical and generally used and accepted by finance practitioners both within and outside of the regulated utility industry.

In addition, when establishing an ROE for a public utility, the PSC must specifically consider and address the financial benefits and the reduction in regulatory, weather, disaster, and general financial risk to the public utility provided by all of the following, if relevant to the utility:

- Environmental cost recovery under s. 366.8255, F.S.
- Storm-recovery financing under s. 366.8260, F.S.
- Interim storm-recovery cost recovery under s. 366.8261, F.S.
- Cost recovery for the siting, design, licensing, and construction of nuclear and integrated gasification combined cycle power plants under s. 366.93, F.S.
- Financing for certain nuclear generating asset retirement or abandonment costs under s. 366.95, F.S.
- Storm protection plan cost recovery under s. 366.96, F.S.
- Public utility liability arising out of emergencies and disasters under s. 366.98, F.S.
- Natural gas facilities relocation costs under s. 366.99, F.S.

Section 7 of the bill amends s. 366.07, F.S., to add “affordability” to the factors the PSC must consider in adjusting public utility rates.

The section also requires the PSC to establish a schedule for when public utilities may request changes to their ROE. The PSC may waive this schedule on petition by a public utility if:

- The public utility’s rates are insufficient to yield reasonable compensation for the services it is rendering;
- This insufficiency is due to circumstances that are outside of the control of the public utility; and
- Such circumstances were not reasonably foreseeable by the public utility during the last proceeding in which its return on equity was approved by the PSC.

The section also requires the PSC to adopt rules to implement s. 366.07, F.S.

Section 8 of the bill creates s. 366.077, F.S., requiring the PSC to file an annual report on utility rates with the Governor and Legislature. The bill requires the report to contain all of the following:

- An investigation of the contemporary economic analysis related to rate changes in Florida.
- An analysis of potential cost impacts to utility customers of Florida if excess returns on equity have occurred, and potential cost savings, if any, to customers if the excess returns to equity have not occurred at a significant rate.
- An analysis of return on equity models presented by public utilities and used by the commission to determine approved returns on equity for public utilities in this state. This analysis must:
 - Compare models used by federal agencies and other state utility regulatory bodies with those used by the commission;
 - Determine whether the models used are generally financially logical; and

- Determine whether the models used comport with generally accepted economic theory both inside and outside of the utility industry.
- An assessment of long-term impacts and economic repercussions of rising rates of regulated returns on equity to utilities and their customers in the future.
- A summary detailing the compensation of the executive officers of all public utilities servicing this state, or the executive officers of their affiliated companies or parent company, including, but not limited to, salaries, benefits, stock options, bonuses, stock buybacks, and other taxable payments, expressed both as dollar amounts and as a percentage of the entity's total revenue.
 - This summary must include the profits and losses of each entity as reported in its financial statements and highlight any compensation exceeding the industry average.
 - The commission must also include any rationale provided by a public utility justifying compensation exceeding the industry average and, for each public utility, an explanation as to how specific data gathered during the compiling of information informed the commission's decisions on the public utility's rate change requests.
- Benchmarking, comparing public utilities servicing Florida with public utilities servicing other states, including commentary on all findings.

Section 9 of the bill creates s. 366.8261, F.S., to allow public utilities to implement a storm-recovery charge to recovery reasonably estimated storm recovery costs. Such utilities may begin, upon approval by the PSC, recovery 60 days after filing a petition with the PSC. The charge is on an interim, preliminary, basis and once actual recovery costs are known, the PSC must review the actual costs for reasonableness and prudence. If any over or under recovery has occurred, the PSC must address this, along with associated interest, at a separate true-up proceeding. Costs already within the utility's base rates are not eligible for this interim storm recovery and the PSC may require the public utility to secure collected funds to ensure timely refund to customers in the event of over recovery.

As part of approving an interim storm recovery charge, the PSC must establish a timeframe for recovery. This timeframe must be established by the PSC based on a reasonable balancing of all of following factors:

- The financial impact of the length of the recovery period on the utility;
- Timeliness of recovery;
- Affordability to ratepayers; and
- Avoiding sudden substantial bill increases to ratepayers.

The funds collected under this provision are subject to true-up and ratepayers bills will be adjusted accordingly. The section also clarifies that it is not to be construed to prevent a public utility from applying for, or the PSC approving, storm-recovery financing pursuant to s. 366.8260, F.S.

The commission must adopt rules to implement the section as soon as practicable, but no later than January 1, 2027.

Section 10 of the bill amends s. 367.081, F.S., adding "affordability" to the factors the PSC must consider in establishing water and wastewater rates for water and wastewater utilities under its

jurisdiction. It also requires the PSC, when setting and evaluating such utilities' ROE, must only utilize financial models that are financially logical and generally used and accepted by finance practitioners both within and outside of the regulated utility industry.

Section 11 of the bill amends s. 377.814, F.S. to a conform cross-reference to amendments made by the bill.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

CS/SB 126 would have an indeterminate impact on gas and electric utility rates, the raising or lowering of which may have a significant financial impact on gas and electric utility ratepayers and utilities in the state.

C. Government Sector Impact:

To implement Section 1 of the bill (the expansion of the number of PSC commissioners from five to seven members), the PSC has indicated that each new commissioner would require two further full-time equivalent positions (FTEs) as support staff. This would bring the total number of additional FTEs for this provision to six—inclusive of the two new commissioners. The PSC estimates a total annual recurring cost for these FTEs of \$762,353.

In addition, the PSC has indicated that renovations to their current building (the Gerald Gunter building) would be needed to accommodate these additional commissioners and staff. The PSC's hearing room at the Betty Easley Conference Center would also require renovations to accommodate two new commissioners. The PSC estimates that the total non-recurring expense for these renovations would be 2.5 million.⁷²

VI. Technical Deficiencies:

None.

VII. Related Issues:

- Section 8 of the bill requires the PSC to provide the Governor and Legislature with a report that, in part, could require the public disclosure of compensation of the executive officers of all public utilities servicing this state, or the executive officers of their affiliated companies or parent company. According to the PSC, much of this information would likely be considered information necessitating confidential treatment by the PSC under s. 366.093(3)(f), F.S.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 350.01, 366.06, 366.07, and 367.081.

This bill creates the following sections of the Florida Statutes: 350.0615, 350.129, 350.130, 350.131, 366.8261, and 366.077.

This bill makes conforming changes to s. 377.814 Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Regulated Industries on December 9, 2025

The committee substitute amended SB 126 in the following ways:

- Requires that parties presenting a settlement to the Florida Public Service PSC must negotiate with the Public Counsel in good faith.
- Requires that any trade, professional, or similar association seeking to intervene in a PSC proceeding must disclose certain information in their motion to intervene.
- Requires that the PSC rule on any intervention challenge on a timely basis and, at minimum, within 30 days.
- Requires that the PSC consider affordability in its proceedings that have the potential of impacting utility rates.
- Adds affordability to the factors the PSC must consider in rate proceedings.
- Revises a requirement that the PSC establish a schedule for certain proceedings. The amendment requires the PSC to establish a schedule for when a public utility may

⁷² Florida Public Service Commission, 2026 Agency Legislative Bill Analysis for SB 126, *supra* note 29.

petition for a proceeding that involves a change in return on equity. The amendment also establishes a procedure for when the PSC may wave this schedule.

- Requires the PSC, when evaluating a return on equity for a utility, to use financial models meeting certain requirements and that the PSC specifically address the financial benefits and risk reduction created by the cost recovery mechanisms already in law. It also deletes a provision requiring return on equity to not exceed the national average authorized return on equity for comparable public utilities across the country.
- Creates an interim storm-recovery cost mechanism for public electric utilities.

B. Amendments:

None.