

**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 Communications and Public Utilities Committee

BILL: CS/SB 2052

INTRODUCER: Communications & Public Utilities Committee and Senator Baker

SUBJECT: Water and Wastewater Utilities

DATE: March 19, 2008      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Caldwell	Caldwell	CU	Fav/CS
2.			GA	
3.				
4.				
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

The bill increases the revenue threshold for a water or wastewater utility to be eligible for a Staff Assisted Rate Case (SARC). It raises the current revenue cap to \$250,000 from \$150,000, that was set in 1989, and then allows the Public Service Commission (commission) to raise the cap in the future based on the index established pursuant to Section 367.081(4)(a), F.S.

This bill substantially amends section 367.0814 of the Florida Statutes.

**II. Present Situation:**

Section 367.0814, F.S., provides for staff of the commission to assist certain utilities in changing the rates and charges of the utility. According to the commission, when a regulated utility believes it needs an increase in its rates, it files a petition with the commission under 367.081, F.S. The company in this type of filing is required to compile all of the information necessary to complete the minimum filing requirements, including testimony if the case goes to hearing. Small utility companies, may lack the resources to file these applications on their own. Thus, they hire consultants and attorneys to perform all of the required work to make their case.

These expenses run, on average, approximately \$48,000 per case. The utility is allowed by law, to recover prudently incurred rate case expenses from its customers.

Under a SARC filing, the commission staff does the majority of the work. The staff audits the utility company's records and book, compiles the necessary information, presents it to customers, and recommends to the commissioners whether the rate increase is justified. Under 367.0814, F.S., a company cannot protest the commission action if a rate increase is granted, even if they disagree with the amount of increase. Customers, on the other hand, may protest, though SARC cases are very rarely protested. The additional time that staff puts into a SARC, compared to a standard rate case, is minimal.

Currently, a utility is not eligible for a staff assisted rate case if its annual revenues exceed \$150,000.

### **III. Effect of Proposed Changes:**

The bill raises the eligibility cap of annual revenues to \$250,000. The commission states that new cap reflects the effect of inflation on the amount of \$150,000 since 1989, which was when the cap was last set. At the \$250,000 threshold, the commission estimates that companies serving 621 customers or less would be affected. The average size of these small utilities is 400 customers. The bill also allows the commission to raise the cap prospectively beginning July 1, 2013 and every five years thereafter, based on the most recent cumulative 5 years of the price index established by the commission pursuant to Section 367.081(4)(a), F.S.<sup>1</sup> According to the commission, the subsequent indexing will recognize the effects of inflation on the threshold level for a staff assisted rate case. This adjustment of the revenue cap, along with the continual adjustment for inflation that will follow from the bill, should benefit customers of smaller utilities by ensuring that administrative costs for their water service remain reasonable.

The committee substitute also requires the commission to submit a report of the status of proceedings conducted under this section, including the number of utilities eligible, the number of proceedings conducted annually for the most recent 5-year period, the associated impact on commission resources, and any other appropriate information. The report must be submitted by January 1, 2013 and every 5 years thereafter to the President of the Senate and the Speaker of the House of Representatives.

The bill takes effect July 1, 2008.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

---

<sup>1</sup> 367.081(4)(a), F.S., provides in part that "on or before March 31 of each year, the commission by order shall establish a price increase or decrease index for major categories of operating costs incurred by utilities subject to its jurisdiction reflecting the percentage of increase or decrease in such costs from the most recent 12-month historical data available. . . ."

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Seventy-six water systems and 49 wastewater systems would qualify for a staff assisted rate case under the current law. The bill would add 14 water and 14 wastewater systems. The commission estimates that the bill would add no more than two additional SARCs per year. The commission estimates that at an average rate case expense of approximately \$48,000, the savings to customers each year would be approximately \$96,000. On a per customer basis, the minimum rate increase per month just to cover the rate case expense of these smaller companies would be \$77.30.<sup>2</sup>

C. Government Sector Impact:

According to the commission, the change will have minimal effect on staff or its resources.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

A. Committee Substitute – Statement of Substantial Changes:  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Communications & Public Utilities on 3/19/08:**

The committee substitute revises the review period to every five years from annually and bases the gross annual revenue adjustment on the most recent cumulative five years of the price index. The bill also requires the commission to submit a report with specified information on the status of the proceedings conducted to the President of the Senate and Speaker of the House.

---

<sup>2</sup> \$48,000 divided by 621 = \$77.30

B. Amendments:

None.

---

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

---