

Florida Public Service Commission



The Wonderful World of
Tariffs

*A Guide for
Tariff Filings
by Municipal
and Rural Cooperative
Electric Utilities*

Division of Economic Regulation
July 2005

The most frequent contact municipal and rural cooperative electric utilities have with the Public Service Commission (PSC) is through tariff filings. While the Commission has less extensive jurisdiction over non-investor owned utilities, certain Commission procedures should be followed by those utilities when filing changes to their tariffs.

HISTORY

Chapter 366, Florida Statutes, governs the PSC's jurisdiction over electric and gas utilities. That statute gives the Commission authority over five specific areas for all electric utilities in the state, including municipals and rural cooperatives.

- ◆ Authority to prescribe a uniform system of accounts and classification of accounts
- ◆ Authority to prescribe a rate structure for all electric utilities
- ◆ Authority to require electric power conservation and reliability within a coordinated grid for operational as well as emergency purposes
- ◆ Authority to approve territorial agreements and settle territorial disputes
- ◆ Authority to prescribe safety standards for transmission and distribution facilities pursuant to the National Electric Safety Code

Following the adoption of this statutory language in 1974, all municipal and rural cooperative utilities were required by Commission Order 8628, issued January 3, 1979, to file schedules showing all rates and charges for electric service. Rates as of that date were “grandfathered” or accepted as is. Any subsequent changes, however, were subject to PSC review. The PSC’s Bureau of Certification, Economics, and Tariffs is responsible for maintaining the official copy of all electric utilities’ tariffs. Any time a change is made to any aspect of a utility’s provision of regulated electric service, that change should be filed with the Commission. The Commission has adopted rules governing the procedure for such filings in Chapter 25-9, Sections IV and V of the Florida Administrative Code. Below is a description of what is required to be filed under these rules and what happens when a tariff is filed with the Commission.

Preparing a

TARIFF FILING

What must be filed?

Base Rates. The specific jurisdiction of the PSC over municipal and rural cooperative rates refers to rate structure. This is differentiated from rate base regulation the PSC exercises over investor-owned electric utilities in that the PSC has no jurisdiction over the total revenue requirement of municipals and rural cooperatives. Our job is to see that the total amount the utility says it needs is collected fairly from all customer classes. However, every change to a utility’s tariff must be filed with the

Commission. This includes not only monthly charges for electric service, but service availability criteria such as deposit practices, connection charges, and line extension or contributions in aid of construction. All contracts which modify any existing rate schedule's terms and conditions of regulated service must also be filed with the Commission for approval.

Fuel/Wholesale Power/Purchased Power Adjustment.

Many municipal and cooperative electric utilities purchase part or all of the power needed to serve their retail loads. Unlike IOUs, part of the cost of purchased power is often included in base rates, and the amount in base rates is adjusted up or down to reflect the actual cost of power incurred by the utility. This adjustment factor is typically shown separately on the customer's bill. The formula by which adjustments to purchased power costs are calculated does not change frequently and should be included in the tariff. In addition, the periodic adjustment factors, truing up the actual cost to the amount recovered in base rates, should also be filed with the PSC. The adjustment factor is filed whenever the factor changes and is considered an informational filing – it is not specifically approved by the PSC, although it is maintained on file, primarily to respond to questions on bill calculations. A fill-in-the-blank form is available, or a utility may submit the information in any comparable form, by fax, E-mail or regular mail.

How should tariffs be filed?

Rules 25-9.052 and 9.053, Florida Administrative Code, describe the timetable and format for tariff filings. In

general, a tariff filing should be submitted *30 days prior to final adoption* by the governing board of the utility (City, Utility Commission, or Board of Trustees). The filing should contain sufficient supporting documentation to allow the PSC to carry out its responsibility to ensure that rates are fair, just and reasonable.

Rule 25-9.052, General Submittal Instructions. This rule describes exactly what must be filed with the Commission. It requires a utility to file “all supplements, revisions, modifications or changes to the documentation” in quadruplicate. It is also very helpful if one copy of the proposed change in legislative format is included. Even a handwritten notation of the changes to an existing sheet will assist in identifying the proposed changes and expedite consideration of the filing.

The second most important concept contained in Rule 25-9.052 is the requirement that changes be submitted “30 days prior to final adoption by the utility.” The key word here is *adopted*. This concept is distinctly different from the effective date of the tariff. The purpose of filing 30 days prior to adoption is to give staff time to review the filing prior to final adoption and alert the utility to any problems they see with the proposed changes. The PSC does not have the authority under Chapter 366 to suspend or deny a municipal or rural cooperative tariff, the way it does for investor-owned electric utilities, nor can it modify the proposed effective date. However, staff review before adoption can assist the utility in complying with all Commission rules and practices and possibly prevent problems in the future.

Rule 25-9.053, Information to Accompany Submittals. Each transmittal seeking approval of a tariff change must be accompanied by supporting documentation “in sufficient detail as to allow the Commission to determine the derivation of all rate structure modifications.” The preferred documentation is a utility specific cost study. However, recognizing that the cost to prepare such a comprehensive study may outweigh the benefits, the PSC will also accept an analysis of utility specific cost and operating data prepared using a methodology previously approved by the Commission for a comparable utility. In the instance where no supporting documentation is submitted with the filing, the PSC will evaluate the proposed change in terms of the rates for a comparable utility as a basis for determining reasonableness of the proposed change.

*All requests for changes to the tariff
should be sent to:*

Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

*Fuel and Purchased Power adjustment updates
may be sent directly to:*

Connie Kummer
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

What Happens Once a Tariff is Filed?

Once a utility has reviewed its needs and determines that a change in its tariff is desirable, the utility submits a tariff package as described above to the PSC. Once the tariff arrives, it is routed to the Bureau of Certification, Economics, and Tariffs for handling. The filing is then assigned an Authority Code and assigned to an analyst who will evaluate the filing to determine if it may be handled administratively or if it requires formal Commission approval. Only if a filing requires formal Commission approval will it be assigned a Docket Number.

Authority Code. An Authority Code is simply an internal PSC tracking mechanism for keeping up with tariff filings. When an approved tariff is returned to a utility, the back of the approved sheets will bear the signature of the Director of the Division of Economic Regulation and the Authority Code assigned to that filing. If multiple tariff sheets are included in a single filing, the package will be assigned a single Authority Code.

The first two letters of the Authority Code identify the type of utility filing the tariff. Municipal tariffs are designated ME, and Rural Cooperatives carry a CE designation. The second set of numbers is the year – tariffs filed in 2004 will show 04 as the middle two digits, 2005 would be 05. The last set of numbers is the sequential number of that type of tariff filed within the given calendar year. For example, ME-05-2 would be the second municipal tariff filing for 2005.

Rules 25-9.055 and 9.056 of the Florida Administrative Code describe and give examples of how tariff sheets are to appear and be numbered. Each new tariff sheet has a distinct number assigned to it and each subsequent revision is noted at the top. The PSC retains all cancelled or superseded tariffs, so proper numbering is essential to maintain historical perspective.

Administrative Approval. The Commission as a body is given certain rights and obligations in the statute. The role of PSC staff is to advise and inform the Commissioners in their decision making. However, in some limited circumstances, the Commission has delegated to staff the authority to take certain actions on their behalf. The specific areas in which authority has been delegated to staff is contained in the PSC Administrative Code.

One of the areas subject to administrative handling is tariff filings by municipal or rural cooperative electric utilities provided that the proposed changes do not change rate structure or if the change is beneficial, and the proposal does not involve new pricing concepts. Typical changes which would fall into the administrative approval category are across the board percentage increases or decreases, or changes in rate structure which improve the rate structure by moving rate class ratios more in line with what is found for investor-owned electric utilities. In addition, if a concept has already been approved by the Commissioners for an investor-owned utility, a similar filing by a municipal or rural cooperative will be approved administratively. For example, several years ago, utilities began offering green

pricing rates which allow customers to pay extra to contribute to the purchase of environmentally friendly energy sources. Once the Commission approved the first program, any subsequent programs which followed the same structure could be approved administratively. Changes to miscellaneous service fees and practices such as deposits or connections will also generally be approved administratively as long as the charge or policy appears reasonable and is applied in a non-discriminatory manner.

When a filing is received, a preliminary assessment is made on whether it can be administratively approved. Commission staff may contact the utility for additional information or suggest changes based on past Commission practices or decisions. If the utility and staff agree that the changes are appropriate and fall under the areas subject to administrative approval, a transmittal letter indicating approval will be prepared for the Division Director's signature. A package consisting of the transmittal letter and the approved tariff sheet(s), stamped and signed on the back indicating approval of the filing will be mailed to the utility. The approved sheet(s) will then be placed in the Commission's official file until superseded by a new filing.

Formal Commission Approval. If, after review and discussion with the utility, staff has concerns with the proposal or believes the proposed changes do not fall into the categories for which staff has been delegated permission for administrative approval, the filing will be taken to the Commission for disposition. The filing will be assigned a PSC Docket Number, in addition to

the Authority Code number. Once a matter is set for Commission consideration, a Case Assignment and Scheduling and Record (CASR) is filed, listing the events and timetable for Commission consideration of the issue. For docketed matters, staff prepares a written recommendation to the Commission, describing the filing and what issues staff believes the Commission should address. This recommendation is filed 12 days prior to the date the Commission will hear the item at a regularly scheduled Agenda Conference. The utility will be provided a copy of the staff's recommendation and may participate in the Agenda Conference on the item, but is not required to participate. If the Commissioners agree with staff's analysis and recommendations, the item may simply be approved without discussion at the beginning of the Agenda Conference. If the Commissioners have questions or someone requests to speak at the Agenda Conference, the item will be taken up in sequence with all other items being considered that day.

When the item is taken up, staff generally provides a brief introduction, to describe the filing and its recommendation. If parties are present to address the Commissioners, they will be allowed to speak to the issue. The Commissioners may ask questions of staff or the interested parties, prior to voting on the staff recommendation. The Commission may vote to approve, deny or modify staff's recommendation. Once a decision is made by the Commission, PSC legal staff has 20 days to draft an order codifying the Commission vote. Interested parties, including the utility, then have 21 days to protest the decision. If one party objects to the decision, the Commission can reconsider and/or amend

the original vote or set the matter for an evidentiary hearing. Once the 21 day protest period has expired, the Commission issues a consummating order which finalizes the initial order. Once a consummating order is issued, any appeal of the decision must be made to the Florida Supreme Court. Upon becoming final, the tariffs will be stamped and returned to the company as described above.

Contents of a written recommendation. A staff recommendation is simply a discussion of the issue(s) staff is requesting that the Commission consider. If staff is in agreement with the utility's proposal, the staff recommendation simply describes the tariff filing and recommends that the Commission approve the tariff as filed. If staff has concerns about the tariff filing, the recommendation will discuss in detail why staff believes the filing is inconsistent with Commission rules, regulations or the utility's tariff and recommend that the Commission vote to send a Comment Letter to the utility. A Comment Letter is simply a formal request for the company to explain in writing why it believes the filing is necessary and proper and why staff's objections should be dismissed. A utility is generally given 60 days to respond to a Comment Letter. Once the utility's response to the Comment Letter is received and analyzed, a second recommendation is prepared to discuss whether the utility has adequately addressed the concerns raised.

As stated earlier, the Commission may approve staff's recommendation as written, deny it, or modify it. If the Commission accepts the utility's response to the Comment Letter, including any proposed changes, the

tariff is approved. If the Commission does not believe the utility has adequately justified its request, it may require the company and staff to negotiate further, or set the matter for hearing. The Commission does not have the authority to suspend, deny or modify a municipal or rural cooperative tariff filing prior to an evidentiary hearing on the issue. Even if the filing is set for hearing, the tariff may go into effect, pending a final Commission decision.

S U M M A R Y

This discussion represents an overview of the steps involved in processing an electric utility tariff filing. The key points for utility representatives to remember are (1) the time frames for filing tariff revisions, and (2) the inclusion of adequate supporting documentation. Filing a proposed change 30 days prior to final adoption allows time for input on the filing prior to implementation which may avoid multiple changes and customer confusion in the future. Submitting adequate supporting documentation is also important to expedite consideration of the filing.

Above all, the Commission and its staff are here to assist both utilities and ratepayers in seeing that the electric rates, terms and conditions for the provision of electric service are fair to both sides. PSC staff is always willing to meet or talk with utility representatives or individual customers who have concerns about regulated services. We strongly encourage utilities who are considering major changes in their tariffs or new programs to discuss those issues with staff before making a formal filing.

Rate staff handle all electric tariff filings and can provide a broad perspective on problems or proposed solutions. In addition staff can provide copies of other utilities' tariffs as a reference or template to assist in designing a particular program or rate schedule.

For rate related questions, call the Division of Economic Regulation at (850) 413-6900, and indicate that you have a question on electric rates. Complete copies of the Florida Statutes, Florida Administrative Code and other Commission documents such as the Commission calendar and information on open dockets may be accessed through the PSC Web site at www.floridapsc.com. All of the rate schedules for the investor-owned electric utilities are also available through that Web site along with tariffs for several municipal and rural cooperative electric utilities.