

RATE CASE PROCESSING

OVERVIEW

§ 4909.18 (ORC) Application For Establishment or Change in Rate

- * Any public utility desiring to establish or change rates shall file a written application with the public utilities commission.
- * Applications shall be verified by the president or a vice-president and the secretary or treasurer of the applicant.
- * Applications shall contain a schedule of the existing rate, a schedule of the modification amendment, change, increase, or reduction sought to be established, and a statement of the facts and grounds upon which such application is based.

§ 4909.18 (ORC) Application For Establishment or Change in Rate

- * Any public utility desiring to establish or change rates shall file a written application with the public utilities commission.
- * Applications shall provide such additional information as the commission may require in its discretion.
- * If it appears to the commission that the proposals in the application may be unjust or unreasonable, the commission shall set the matter for hearing.
- * At such hearing, the burden of proof to show that the proposals in the application are just and reasonable shall be upon the public utility.

§ 4909.18 (ORC) Application For Establishment or Change in Rate

- * If the application is for an increase in rates it shall also contain:
 - * A report of property that is used and useful in providing utility service;
 - * A complete operating statement of its last fiscal year, showing in detail all its receipts, revenues, and incomes from all sources, all of its operating costs and other expenditures, and any analysis such public utility deems applicable to the matter referred to in said application;
 - * A statement of the income and expense anticipated under the application filed;

§ 4909.18 (ORC) Application For Establishment or Change in Rate

- * If the application is for an increase in rates it shall also contain:
 - * A statement of financial condition summarizing assets, liabilities, and net worth;
 - * A proposed notice for newspaper publication fully disclosing the substance of the application;
 - * Such other information as the commission may require in its discretion.

30 Day Notifications

- * At least thirty days prior to filing an application for an increase in rates, a public utility is required to notify, in writing, the mayors and legislative authorities of each municipality included in the application that it intends to file an application and the proposed rates included in that application.

30 Day Notifications

- * Thirty days prior to filing an application for an increase in rates, a public utility must also submit to the PUCO a Pre-filing notice (PFN) containing the following exhibits:
 - * Statement of notice of intent to file for an increase in rates
 - * The service area to be included in the application
 - * Dates of proposed test year and proposed date certain
 - * The test period, unless otherwise ordered by this commission, shall be the twelve-month period beginning six months prior to the date the application is filed and ending six months subsequent to the application filing date.
 - * In no event shall the test period end more than nine months subsequent to the date the application is filed
 - * The date certain shall not be later than the date of filing

30 Day Notifications

- * Thirty days prior to filing an application for an increase in rates, a public utility must also submit to the PUCO a Pre-filing notice containing the following exhibits:
 - * The proposed tariff schedules that are intended to replace or add to current tariff schedules
 - * Typical Bill Comparison.

4901-7-01 (OAC)

Standard Filing Requirements

Waivers

- * All information required by these standard filing requirements, unless waived upon request or upon the commission's own motion, must be included with the application at the time of the original filing.
- * A request for waiver of any of the provisions of the standard filing requirements must set forth the specific reasons in support of the request.
- * Except for good cause shown, all waiver requests must be filed thirty days or more before the docketing of the application with the commission.

4901:1-15-32 (OAC) Uniform System of Accounts For Waterworks Companies

- * Water companies are required to keep their books of accounts and records in accordance with the 1973 uniform system of accounts prescribed by the National Association of Regulatory Commissioners.
- * Class A & B Water Utilities having annual revenues of \$250,000 or more, Class C Utilities having revenues of \$50,000 but less than \$250,000, and Class D having revenues less than \$50,000.

4901-7-01 (OAC)

Standard Filing Requirements

Purpose

- * All applications for an increase in rates shall conform to the Standard Filing Requirements.
- * The standard filing requirements are designed to assist the commission in performing a thorough and expeditious review of applications for rate increases.

4901-7-01 (OAC)

Standard Filing Requirements

Minimum Requirements

- * The standard filing requirements contain the minimum information which utilities are required to submit with their application for an increase in rates.
- * The prescribed schedules present the applicant utility's relevant financial and operating information needed to support its request.

4901-7-01 (OAC)

Standard Filing Requirements

Minimum Requirements

- * If the applicant utility believes that additional information is necessary to support its case, the utility should supplement the standard filing requirements as required to support its position.
- * The commission may require utilities to supply information to supplement these requirements during the course of the staff investigation of a specific case.

4901-7-01 (OAC)

Standard Filing Requirements

Written Testimony

- * Utilities shall file the prepared direct testimony of utility personnel or other expert witnesses in support of the utility's proposal within fourteen days of the filing of the application for increase in rates.
- * The testimony shall be the utility's case in chief. Any utility that files a rate increase shall be prepared to go forward at hearing time on the data and prepared direct testimony filed in support of the application and any revisions to sustain the burden of proof that the rate increase is just and reasonable.

Setting Base Rates

The Base Rate Formula

Revenue Requirements = Cost of Service

Revenue Requirements = Operating Expenses + Depreciation +
Taxes + (Rate of Return x Rate Base)

$$RR = OE + D + T + (RoR \times RB)$$

Setting Base Rates

Operating Income

Base Revenues
Fuel Revenues
Misc. Revenues

Total Revenues

Operation and
Maintenance Exp.
Depreciation Exp.
Tax Expense

Total Operating
Expenses

Total Operating
Income

Rate Base

Plant in Service
Less: Depreciation Reserve

Net Plant in Service

C.W.I.P.
Working Capital
 Cash
 Materials and Supplies
 Fuel
Other Rate Base Items

Rate Base

Staff Investigation

Pre-filing Notice

- * Ensure that all information required by the Commission's Code of Rules and Regulations has been provided.
- * Accept or reject the Applicant's requests for waivers of the Standard Filing Requirements.
- * Accept or reject the requested test year and date certain.

Staff Investigation

Time Prior to Application Being Filed

- * Develop an overall understanding of the applicant's operations and financial position and a general understanding of the applicant's industry.
- * Develop a specific familiarity with the applicant and to develop an understanding of :
 - * The prior rate case issues
 - * The staff's treatment of the prior issues
 - * Commission rulings on these prior issue

Staff Investigation

Time Prior to Application Being Filed

- * Identify potential issues in the upcoming application
- * Begin the process of planning the investigation of the case

Staff Investigation

Standard Filing Requirements Check List

- * The purpose of this review is to ensure that the information submitted by the Applicant meets the standard filing requirements.
- * This review is also intended to identify issues in the case.

Staff Investigation

Field Investigation

- * Ensure that the information contained in the application is reliable
- * Ensure that the information contained in the application is verifiable
- * Ensure that the information contained in the application can be supported by the applicant
- * Determine that the applicant is keeping its accounting records in compliance with acceptable utility accounting standards and the uniform system of accounts.

Staff Investigation

Budget Review

- * Understand Applicant's budgeting process
- * Assure the reliability and reasonableness of the budgeted data

Staff Investigation

Actual Expense Verification

- * Verify the accuracy of the applicant's accounting records.
- * Verify that the source of the financial information included in the application is the applicant's accounting records.
- * Determine the overall reasonableness of the actual expenses included in the test year
- * Determine that the actual expenses included in the test year are includable for rate making purposes

Staff Investigation

The Staff Report

- * The Staff has 5 months, from the date the application is accepted for filing, to complete its investigation and issue a report.
- * The Staff Report of Investigation serves to document the Staff's position on the Applicant's request and to summarize the Staff's analyses, conclusions and recommendations.

Objections to the Staff Report

- * Parties that will be affected by a proposed rate increase may move to intervene in the case.
- * If the motion is granted, a party may file objections to the Staff's analyses, conclusions and recommendations within 30 days of the Staff Report issuance.
- * The Staff prepares written testimony in response to the objections.

Pre-Hearing and Hearing

- * Pre-Hearing

- * Stipulate or settle as many issues as possible
- * Identify those issues that cannot be settled and clarify the positions of each party

- * Hearing

- * Testify on behalf of the Staff of the Commission
- * Explain and support the Staff's position

Opinion and Order

- * After consideration of all information on the record, the Commission issues an Opinion and Order.
- * The Opinion and Order addresses the issues presented in the case.
- * Rulings in the Opinion and Order are binding unless appealed to, and overturned by, the Ohio Supreme Court.

§ 4909.42 (ORC) Procedure When Commission Does Not Issue Timely Order

- * The Commission has to issue a final order by the end of 275 days from the date an application is accepted for filing.
- * If a final order is not issued by the end of 275 days, the utility may implement the proposed rates subject to refund of amounts over what is approved in the Commission's final order.

Timeline

This diagram represents the goal of the PUCO for a rate application.

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PFN SFR 1 2 3 4 5 6 7 8 9

PFN SFR

30 Days

--- Testimony Due

14 Days

----- Letter of acceptance or rejection sent

30 Days

----------* Entry accepting or rejecting the application / Two month update (if required)

60 Days

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5 Months

Timeline

This diagram represents the goal of the PUCO for a rate application.

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PFN SFR 1 2 3 4 5 6 7 8 9

----- Objections Due
30 Days

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Hearing held and the
Opinion and Order issued