

## **RATE CASES -**

### **Introduction:**

Today, utility rate setting is getting increased attention and interest from the public. When a utility company files a request for a rate change, the attention of those affected by the change turns toward the Public Utilities Commission “Commission” and the Division of Public Utilities and Carriers “Division”. The agencies must then decide whether or not a rate change request from a regulated utility is just and reasonable. Also, the Division can petition the Commission to investigate the rates absent a filing by the Company.

Although there is great interest in the activities of the Commission and Division, many consumers are unfamiliar with the procedures of a rate case.

Both agencies have an important and difficult job.

### **What Does the Law Require?**

The law requires that the rates of regulated utility companies be reasonable; that the service they provide be safe and adequate; and that those utilities be allowed the opportunity to generate revenues which will keep them in good financial health.

Although these may seem to be contradictory goals, they are not. A utility cannot survive without customers who can afford its services, and consumers would be severely hurt if economic hardships were to force their utility to reduce or cease to provide utility service.

This government intervention, which attempts to balance the needs of consumers with the needs of the utility that serves the consumers, is called regulation. The Commission and Division are the agencies responsible for regulating utilities in the State of Rhode Island. This authority is given to the Commission and Division by laws enacted by the State Legislature, and is carried out through rules written and adopted by both agencies.

### **How Will I Know When A Utility Asks For A Rate Change?**

Before the Commission considers a rate case, they must publish notice of the hearings in a newspaper having substantial circulation in the utility's service area. Publishing the notice gives persons who will be affected by the proposed change information and the opportunity to actively participate. The notice must include a general description of the application and tell customers the location of the hearing(s).

## **What Happens When A Utility Asks For An Increase/Decrease (Change)?**

### **1) Application**

The case begins when a utility submits a written application (filing) for a change in rates. The application must include documents supporting the request and information on current and projected expenses.

### **2) Staff Investigation**

The Division operates independently of the Commission in rate cases. Upon the filing of a rate application, the Division rate case team begins a very comprehensive (investigation) review.

Each rate case is thoroughly and carefully investigated. During the investigation, the Division's rate case team prepares its recommendation for presentation to the Commission. Those recommendations are in the form of testimony and exhibits which are filed and then presented during public hearings.

### **3) The Hearing**

Rate hearings provide the Commission with the evidence and testimony it needs to make an informed decision. During the hearing, evidence and testimony are presented by the utility, the Division (an indispensable party), and any intervenors through established procedures. A hearing is like a civil trial. Hearings follow certain rules which allow all parties to present a case and advance a position.

At the beginning of each hearing, members of the public are also given an opportunity to express their views. A record of the hearing is made by a stenographer and provided to the Commission in the form of a transcript.

### **4) The Decision**

After all the facts have been gathered, the Commissioners must study the entire record which may consist of thousands of pages. Once the review is complete, a decision is issued in the form of a "Report and Order" which is binding on all parties. The Report and Order contains a summary of the issues and evidence presented in the case, and explains the reason for the Commission's decision. At this point, the rate case is complete unless appealed.

## **What Major Issues Are Considered and Decided?**

Many technical aspects are considered. In the rate decision, the Commission must determine the revenue requirement, the amount of money that the utility is allowed to collect from its customers to cover its expenses and earn a fair

return on its investment, and rate design, which specifies how the revenue will be collected from the various classes of residential, commercial and industrial ratepayers.

The Commission bases its rate design decision on the principle of cost-of-service--the charges levied against a customer should be proportional to the expense of serving that customer.

The burden of proof is always on the utility to show that every part of its request is justified.

### **How Can I Get Involved?**

There are several ways an individual or group can voice support or opposition to a rate change request the Commission is considering:

You may want to **speak at the hearing**. The Commission encourages individuals who will be affected by the outcome of the case to present their views. Your statement will become part of the record of the hearing. The Commissioners and/or the parties may also ask you questions.

You may want to become an **Intervenor**. An intervenor is any individual or group that is not otherwise represented and has made a timely written request for and been granted intervenor status. Instructions for becoming an intervenor are contained in the Commission's Rules of Practice and Procedure and are available from the Commission clerk.

### **Is Participation Worth It?**

Only you can decide if participation is worth it. We can only say that the Commission listens. That does not mean we will always agree with your viewpoint, but you can be assured that your viewpoint will be considered. There is a value in your participation.

### **In Closing**

If you have questions about a regulated utility or a problem you are unable to resolve, contact our agency (401) 941-4500. We hope the information we have provided will answer your questions and give you a practical understanding of how the process works.