

*Mission Statement:*

*The UTC protects consumers by ensuring that utility and transportation services are fairly priced, available, reliable, and safe.*



# Washington Utilities and Transportation Commission

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## Procedural Requirements for Rate Requests

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# Presentation Outline



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- General Legal Requirements
  - Initiation of Formal Rate Proceedings and Filing Requirements
  - Issue Analysis and Legal Work Associated With Rate Case

# General Legal Requirements

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- As a matter of public utility law, rates must be fair, just, reasonable, and sufficient. RCW 80.28.010. The Constitution requires that the rates must not be so low as to result in confiscatory rates.

# General Legal Requirements

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- In setting rates, the WUTC must balance consumer and investor interests. Consumers are entitled to reliable and efficient service at reasonable rates. Investors are entitled to the opportunity to earn a fair return on their investment.

# General Legal Requirements

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- Regulatory agencies are not bound by the use of a single formula in setting rates; it is the total effect, not the methodology used, that establishes the legality of the established rates.

# General Legal Requirements

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- When the WUTC conducts a proceeding that may result in an increase in the utility's rates, the utility bears the burden to prove that the proposed increase is fair, just, reasonable, and sufficient. RCW 80.04.130(4); WAC 480-07-540.

# General Legal Requirements



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- For purposes of setting rates, the WUTC has the authority to determine the fair value of a utility's property that is used and useful in providing its services. RCW 80.04.250.

# General Legal Requirements



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- The WUTC's decisions regarding rates are subject to review by the courts. The courts will accord substantial deference to the WUTC's decisions, and will reverse them only upon a finding that the decisions are arbitrary and capricious, or otherwise inconsistent with the law.

# General Filing Requirements



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- The utility, the WUTC on its own motion, or ratepayers (if they meet certain criteria) may initiate a rate case. RCW 80.04.110.

# General Filing Requirements



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- If a utility requests an increase in rates, the WUTC may allow the increase to go into effect without a hearing; allow the increase to take effect and set the matter for hearing to determine the reasonableness of the rates; or suspend the increase and set the matter for hearing. RCW 80.04.130.

# General Filing Requirements



- If the WUTC sets a rate case for hearing, the WUTC will schedule a prehearing conference, during which the parties will discuss a procedural schedule, discovery methods, the necessity to protect confidential information, and other procedural issues. The WUTC will determine the procedural schedule. If a rate increase is suspended, the WUTC must conclude its proceeding within 10 months, unless the utility agrees to additional time. RCW 80.04.130.

# General Filing Requirements



- A request by a utility for a general rate increase must be accompanied by the following documentation and work papers, which may be included in the utility's testimony or exhibits to testimony: proposed or revised tariff sheets showing the new rates; statement of restating actual or pro forma adjustments with work papers, with justification for any deviations from WUTC-approved methodology; detailed statement of revenue sources and any changes to revenue as a result of the requested rate change; statement of the actual rate base and results of operations; statements of affiliate and subsidiary transactions, as necessary; and, if the utility has not achieved its authorized rate of return, a statement of what measures the utility is taking to achieve that rate of return, in addition to a rate increase. WAC 480-07-510.

# General Filing Requirements



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- The utility must provide a summary of the requested rate increase. The summary shall include a statement of the utility's revenue before and after the proposed increase; the requested revenue change in percentage, in total, and by major customer class; the requested revenue change expressed in dollars, in total, and by major customer class; the requested rate change in dollars, per average customer, by customer class, or other representation; current authorized and requested rate of return and return on equity; the requested capital structure; the requested net operating income; the requested rate base and the method for calculating rate base. WAC 480-07-510.

# General Filing Requirements

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- The WUTC may reject a utility's request for a rate increase that does not contain the required documentation. The utility may re-file its request. WAC 480-07-500.

# Issue Analysis and Legal Work

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- The utility's filing must be reviewed for compliance with the filing requirements.

# Issue Analysis and Legal Work

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- The lawyer will assist the WUTC staff in drafting data requests, which request the utility to provide information to the staff experts to facilitate their review of the utility's rate filing.

# Issue Analysis and Legal Work



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- The WUTC staff, with the assistance of the staff's attorney, will evaluate the issues arising from the utility's rate filing. Those issues include whether the utility has complied with the WUTC's prior orders, whether the utility's rate filing complies with the WUTC rules, what policy issues or choices are raised by the utility's filing.

# Issue Analysis and Legal Work



- The WUTC staff, along with the staff's attorney will prepare a response to the utility's rate filing. The WUTC staff may agree with the utility on some issues. Where the WUTC staff disagrees with the utility, the staff will file testimony and documentation explaining its disagreement. The WUTC staff, with the assistance of staff's attorney, may consider whether the staff should consider a settlement on some of the issues. WUTC staff may consider whether it should retain outside consultants or expert witnesses to assist in the case.

# Issue Analysis and Legal Work

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- The WUTC staff's attorney will review the staff's testimony to ensure it complies with legal and constitutional requirements, and the WUTC's rules.