

ELECTRIC UTILITY RATE-MAKING

Rate-making regulation of electric utilities by the Georgia Public Service Commission

- ✓ **Subject to certain limitations**
 - Constitutional mandates
 - Statutory requirements enacted by the Georgia General Assembly

Constitutional mandates

- ✓ **Regulated electric utility has due process rights**
 - A right to procedural due process of law (adequate notice and adequate hearing)
 - A right to substantive due process of law (rate order of the commission must provide for just and reasonable rates for the utility)
 - Rate order is subject to judicial review to determine whether commission has authorized just and reasonable rates

Commission is a quasi-legislative body

- ✓ **Georgia General Assembly has delegated legislative function of rate-making to commission**
- ✓ **Georgia General Assembly has not provided a fixed principle or yardstick to apply in determining what is a “just and reasonable” rate**

Statutory requirements

O.C.G.A. § 46-2-20

- ✓ **Jurisdiction of commission generally; powers and duties of commission generally**
 - Commission has general supervision over all electric utilities
 - Commission has authority to examine the affairs of all electric utilities and to keep informed as to their general condition, their capitalization, their management, and their service to the public
 - Commission has power to prescribe a uniform system of accounts to be used by electric utilities. The commission also has the power to examine all books, contracts, records, and documents of the electric utilities and to compel the production thereof

O.C.G.A. § 46-2-25

- ✓ **Procedure for changing rates**
 - No electric utility shall make any rate change except after 30 days' notice to the commission
 - The electric utility has the burden of showing that any increased rate is just and reasonable

O.C.G.A. § 46-2-26

- ✓ **Procedure for rate change based solely on change in fuel costs**
 - *Code Section 46-2-25* shall not apply to proceedings conducted pursuant to this Code section

O.C.G.A. § 46-2-26.1

- ✓ **Accounting methods to be used by electric utilities in rate-making proceedings**
 - Electric utilities required to file cost of service data on the basis of a test period to reflect estimated operations during the 12 months following the utility's proposed effective date of the rates.
-

Commission uses “cost-of-service” or “rate-of-return” regulation in determining what is “just and reasonable”

- ✓ **Rates must produce sufficient revenues to provide for**
 - Operating expenses
 - Depreciation expense
 - Taxes
 - Reasonable return on net value of utility property used to provide service

Rate regulated Electric Utilities in Georgia

- ✓ **Georgia Power Company and Savannah Electric and Power Company are rate regulated electric utilities in Georgia**
 - Subject to regulation by the Georgia Public Service Commission
 - Have monopolies in their service territories
 - Provide transmission and sale of electricity
-

2004 and 2005 base rate proceedings by Georgia Power Company and Savannah Electric and Power Company

- ✓ **Increase in retail base rates requested to cover higher costs**
 - Higher costs of purchased power
 - Higher operating and maintenance expenses
 - Higher environmental compliance costs
 - Investment in new generation, transmission and distribution facilities

2004 - Georgia Power Company

- ✓ **Rate Case Docket No. 18300**
 - \$328 million (7%) rate increase requested
 - 12.50% return on equity (ROE) requested
 - \$194 million (4.2%) rate increase stipulated
 - Rates set at 11.25% stipulated
 - Roe Earnings Band: 10.25 to 12.25% stipulated
 - 3-year accounting order (2005-2007) stipulated

2005 - Savannah Electric & Power Company

- ✓ **Rate Case Docket No. 19758**
 - \$23 million (6.7%) rate increase requested
 - 12.50% return on equity (ROE) requested
 - \$9.6 million (2.8%) rate increase stipulated
 - Rates set at 10.75% stipulated
 - ROE Earnings Band: 9.75% to 11.75% stipulated
 - 3-year accounting order (2005-2007) stipulated