CASD Bulletin 2024-02

To: All Water Utilities

From: Derek D. Davidson, Director
       Consumer Assistance and Safety Division

Date: August 28, 2024

Re: Filing and Procedural Requirements for Surcharges under MPUC Rules, Ch. 675

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        The purpose of this bulletin is to provide guidance to all water utilities regarding Chapter 675 of the Commission's Rules (Chapter 675), as well as offer outreach materials utilities can provide to their customers when initiating a surcharge.

Administration of System Infrastructure Assessments (SIAs)

Chapter 675 requires the annual updates to the SIA to be filed in the annual financial reports module of the Commission's electronic case management system (CMS). While Chapter 675 does not specify the filing location for the original SIA filing or revisions, Staff requests that for consistency, ease, and accessibility, that utilities file the following in the CMS project file designated for SIAs: "System Infrastructure Assessment Reports-SIAR"

- their original SIAs and all revisions;
- copies of the annual updates (which must also be filed in the annual financial reports module); and
- any revision proposed in a Chapter 675 surcharge docket.

Pre-meeting with OPA to Determine Cost of Debt, Return on Equity and Capital Structure

Chapter 675 states that the "rate of return shall be calculated using the current cost of debt and the return on equity and capital structure adopted in the water utility's most recent rate proceeding." MPUC Rules, Ch. 675, § 6(A)(1)(b)(i). However, many rate proceedings result in settlements that do not always specify a rate of return or capital structure, making the calculation of the surcharge difficult.

For this reason, Resolves 2013, Ch. 9, § 1(4) (April 16, 2013), further requires, among other things, that Chapter 675 include "an option when calculating rate of return for an investor-owned water utility, allowing the investor-owned water utility, the Public Utilities Commission's advisory staff and the Office of the Public Advocate to agree in advance of the filing of the infrastructure surcharge request on the current cost of debt and the return on equity and capital structure to be used." The Commission incorporated such an option into Chapter 675. MPUC Rules, Ch. 675, § 6(A)(1)(b)(i).

Investor-owned utilities are encouraged to meet with the Office of Public Advocate in advance of the utility filing a petition seeking approval of a Chapter 675 surcharge. This is to reach, if possible, an agreement on the current cost of debt and the return on equity and capital structure to be used. Any agreement should be filed together with the petition.

Customer Notice

The Commission has determined that once a surcharge has been reset by a new rate case, the utility must provide customer notice again before any new surcharges could go into effect.

This is based on language in Chapter 675 stating that a water utility "must provide notice to its customers for its first filing for a surcharge…." MPUC Rules, Ch. 675, § 6(A)(4)(a). The Commission recently determined that, while a utility had previously provided customer notice when it first adopted a surcharge, following its surcharge being rolled back to zero when new base rates became effective, a request for surcharge approval was not complete without a utility first providing customer notice of the new proposed surcharge, *Camden-Rockland*, Docket No. 2023-00163, Order (Sept. 21, 2023). As to the content of the notice, Chapter 675 requires that a water utility notify its customers of "the planned frequency of the future changes in the surcharge." MPUC Rules, Ch. 675, § 6(A)(4)(a); *see also Camden-Rockland*, Docket No. 2023-00163, Order at 3 n.5 (March 22, 2024).
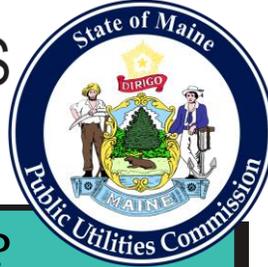
Customer Outreach

As noted above, utilities are required to provide customer notification about surcharges, but questions can arise about what surcharges are and how they work. Commission Staff have created an outreach document that is available to utilities to (voluntarily) send to their customers when they provide public notice about surcharges and/or to have on hand at the utility for when questions arise. See attached guidance document.

　　　If you have questions regarding this bulletin or the Commission's decision, please feel free to contact me at: derek.d.davidson@maine.gov or at (207) 287-1596.

DD/kp
Attachment

SURCHARGES

WHAT CUSTOMERS WANT TO KNOW

What is a surcharge?

A surcharge is a <u>temporary fee</u> water utilities can charge customers to help recover some of the money spent on necessary construction projects (such as infrastructure replacement and repair).

How Much Will It Cost?

- The maximum surcharge amount a utility can charge varies depending on the size of the utility.
- The charge is capped by PUC rules.
- The resulting increase on a customer's bill will be small.
- It is only a temporary charge.

How will the funds be used?

- The money collected will be used to cover the cost of repairs and construction of projects that are **critical** for safe and adequate service.
- The projects must have already been completed and have been identified by the utility as a priority in a report filed with the PUC.

What can i do?

If you are concerned, you have the opportunity to:

- Talk to your water utility about the project.
- Subscribe to the PUC docket (in which the water utility seeks comission approval for the surcharge) so you can get notifications about the case.
- Submit written comments to the PUC.

More Information

Check out Chapter 675 of the Maine PUC Rules. Reach out to your water utility to ask questions, contact the Office of Public Advocate (OPA) for assistance or reach out to the PUC for more information.

FOR MORE INFORMATION:

https://www.maine.gov/meopa/
Maine Public Utilities Commission

https://www.maine.gov/mpuc/home
Maine Office of Public Advocate

Chapter 675 of Maine PUC Rules can be seen here:
https://www.maine.gov/mpuc/legislative/laws-rules