



City of Key West Staff Report NR: 008-2026

Subject: Utility Services

Bill Numbers: CS/CS/HB 1451

Effective Date: Sections 1, 2, and 5 take effect July 1, 2027; Section 3 takes effect July 1, 2026; Section 4 takes effect upon becoming law

Reference Documents: CS/CS/HB 1451 - Substitute for CS/CS/SB 1724

I. BILL SUMMARY

CS/CS/HB 1451 revises Florida law governing municipal utility service provided outside city limits. The bill requires written agreements and public meetings before certain new, extended, renewed, or materially amended agreements for retail electric, natural gas, water, or sewer service outside municipal boundaries may take effect. It also requires annual customer meetings in each municipality or unincorporated area served outside the utility-providing municipality.

The bill further revises rate provisions for municipal water and sewer utilities, creates annual reporting requirements to the Florida Public Service Commission for municipalities serving outside-boundary customers, and expressly preempts to the state the subject of certain regional utilities authorities created by charter amendment after January 1, 2023.

- Requires public meetings in each affected municipality or unincorporated area before specified outside-boundary utility agreements may become effective.
- Requires those agreements to be in writing.
- Requires annual public customer meetings for areas served outside municipal boundaries.
- Revises permissible outside-boundary water and sewer rate provisions.
- Creates annual Florida Public Service Commission reporting requirements and penalties for nonreporting.
- Expressly preempts to the state the subject of certain regional utilities authorities created by charter amendment after January 1, 2023.

II. PRESENT SITUATION

Current Local Framework

Under current law, municipalities may provide utility service beyond their corporate limits on agreed terms. Section 180.191, Florida Statutes, currently allows municipalities operating water or sewer utilities outside their boundaries to charge either the same rates as in-city customers plus up to a 25 percent surcharge, or just and equitable rates based on the same ratemaking factors used for in-city customers, with total outside-boundary charges currently capped at 25 percent above corresponding in-city charges under that second option.

Current Oversight and Customer Engagement

Current law does not impose the public-meeting, annual-meeting, and Florida Public Service Commission reporting requirements created by CS/CS/HB 1451 for municipal electric, natural gas, water, or sewer service provided outside municipal boundaries. Municipalities generally retain greater discretion in how they structure outside-boundary agreements, communicate with affected customers, and document the use of utility revenues.

III. EFFECT OF THE BILL

New Public Process and Agreement Requirements

CS/CS/HB 1451 requires that a new agreement, or an extension, renewal, or material amendment of an existing agreement, to provide retail electric, natural gas, water, or sewer service outside municipal boundaries must be in writing and may not become effective until an appointed executive-level representative of the serving municipality participates in a public meeting within each affected municipality or unincorporated area.

Those public meetings must address the nature of the services to be provided, the rates, fees, and charges to be imposed, any differential between inside-city and outside-city customers, the basis for that differential, the expected duration of the differential, the extent to which utility revenues will be used to fund nonutility government functions, and any other relevant matters.

Rate and Reporting Changes

For water and sewer utilities, the bill revises section 180.191, Florida Statutes, so that under one ratemaking option total outside-boundary rates, fees, and charges may not exceed corresponding in-city charges by more than 50 percent. The bill also creates a specific rule providing that if a municipality serves another municipality through the use of a water or sewer treatment plant located within that separate municipality, the serving municipality may charge no more than the same rates, fees, and charges imposed on customers inside its own municipal boundaries.

Beginning January 1, 2027, municipalities that provided utility service outside their boundaries during the most recently completed fiscal year must annually report specified customer, revenue, sales, and rate-differential information to the Florida Public Service Commission. The report must also disclose the percentage of utility revenues used to fund nonutility government functions and the percentage of the municipality's nonutility budget funded by such revenues. Municipalities that fail to report are subject to statutory penalties.

State Preemption Provision

The bill expressly preempts to the state the subject of any regional utilities authority created by the Legislature through charter amendment after January 1, 2023. This could limit future local or special-act approaches involving certain regional utility governance arrangements.

IV. FISCAL IMPACT

Local Governments

- Potential administrative costs associated with public meetings, annual customer meetings, written agreement compliance, and expanded recordkeeping for outside boundary service.
- Potential impacts on utility revenue structures if current or future outside-boundary water and sewer rates must be revised to comply with the bill's amended rate limitations or equal-rate requirement in specified circumstances.
- Additional staff time and possible legal, finance, and utility-system support costs associated with annual reporting to the Florida Public Service Commission and review of utility revenue allocation practices.

State Government

- The Florida Public Service Commission will receive, compile, and report municipal utility-service data provided under the bill. The bill also authorizes penalties for municipalities that fail to submit the required reports.

V. POLICY CONSIDERATIONS

Local Control and Utility Governance

The bill imposes more prescriptive state requirements on how municipality's structure, explain, and oversee utility service beyond their boundaries. For municipalities that provide service outside city limits, this may reduce local discretion over agreement timing, customer engagement, and certain rate practices.

Transparency and Cross-Boundary Equity

The bill reflects a policy emphasis on transparency for outside-boundary customers, particularly regarding rate differentials and whether utility revenues support nonutility governmental functions. Municipalities may need to evaluate whether current communication, governance, and billing practices align with those policy objectives.

VI. DRAFTING ISSUES OR AMBIGUITIES

- The relationship between the revised 50 percent cap language and the separate 25 percent surcharge language in section 180.191 may require legal interpretation to determine how the provisions operate together in practice.
 - The bill does not further define several implementation concepts, including what constitutes a “material amendment” to an existing agreement and the precise scope of utility-related matters that should be addressed at annual customer meetings.
 - The state-preemption language for certain regional utilities authorities may warrant additional clarification regarding its intended reach and application to future or existing local governance arrangements.
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VII. EFFECTIVE DATE

Section 4 of the bill takes effect upon becoming law. New reporting requirements in section 180.192 take effect July 1, 2026. Except as otherwise expressly provided, the remainder of the act takes effect July 1, 2027.