

A state legislature recently enacted a statute forbidding public utilities regulated by the State Public Service Commission from increasing their rates more than once every two years.

A public utility company regulated by that commission has just obtained approval from the commission for a general rate increase. The company has routinely filed for a rate increase every 10 to 14 months during the last 20 years. Because of uncertainties about future fuel prices, the company cannot ascertain with any certainty the date when it will need a further rate increase, but it thinks that it may need such an increase sometime within the next 18 months.

The company files an action in the federal district court in the state requesting a declaratory judgment that this new state statute forbidding public utility rate increases more than once every two years is unconstitutional. Assume no federal statute is relevant.

How should the court rule in this case?

- A. Dismiss the complaint, because controversies over state-regulated utility rates are outside of the jurisdiction conferred on federal courts by Article III of the Constitution.
- B. Dismiss the complaint, because this action is not ripe for decision.
- C. Hold the statute constitutional, because the judgment of a legislature on a matter involving economic regulation is entitled to great deference.
- D. Hold the statute unconstitutional, because such a moratorium on rate increases deprives utilities of their property without due process of law.

### Explanation:

Article III, Section 2 of the Constitution allows federal courts to hear cases and controversies that are **ripe for adjudication** (ie, capable of judicial resolution). This requirement is met when the plaintiff has suffered an **actual harm** or an **immediate threat** thereof. But a suit **cannot be heard** by a federal court if the plaintiff faces the mere **possibility of harm** (unripe) or the plaintiff's harm is **no longer capable of judicial resolution** (moot).

Here, the company filed a complaint in federal court requesting a declaratory judgment regarding the new statute limiting rate increases for public utilities to once every two years. But since the company had just obtained approval for a rate increase and merely thinks that it may need another rate increase in the next 18 months, it has suffered no actual harm or immediate threat of harm. Therefore, this action is unripe and should be dismissed.

**(Choice A)** Article III grants federal courts [subject-matter jurisdiction](#) over claims arising under the Constitution, federal laws, or treaties. Therefore, the company's complaint regarding the *constitutionality* of the new statute falls within the court's conferred jurisdiction and will not be dismissed on this basis.

**(Choices C & D)** A determination as to whether (1) the court should defer to the legislature's economic judgment or (2) the moratorium is a deprivation of property without [due process of law](#) involves the merits of the suit. But since the action is not ripe for adjudication, the court cannot consider the merits and must dismiss the suit.

### Educational objective:

Federal courts can only hear cases and controversies that are ripe for adjudication—ie, claims that concern an actual or immediate threat of harm suffered by the plaintiff. Therefore, courts must dismiss claims that allege the mere possibility of harm (unripe) or harm that is no longer capable of judicial resolution (moot).

### References

- Texas v. United States, 523 U.S. 296, 300 (1998) (explaining when a claim is unripe for adjudication).

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### Actual case or controversy requirement

