



The Rate Case: How Utility Rates are Set

Michigan law requires some regulation of most utility companies doing business in the state. The Michigan Public Service Commission (MPSC) regulates investor-owned natural gas and electric companies, services of rural electric cooperatives, and some telephone services.

Overview of Rate Case Process

Regulated natural gas or electric companies must first request and obtain approval from the Commission to increase customer rates. The company starts the rate case process by filing its request with the Executive Secretary Section of the MPSC.

A rate case is a legal process carried out much like a trial in a courtroom. An administrative law judge (ALJ) presides at the hearing and parties are represented by attorneys. Hearings are conducted similar to proceedings in civil court; however, a jury is not seated, and the ALJ does not render the final decision. Following testimony and briefs by the parties, the presiding ALJ issues his/her determination in a Proposal For Decision (PFD), after which parties respond to the decision by filing exceptions to the PFD. The case is then ready for a Commission decision. The Commission renders the final decision and order in all cases.

Basic issues of utility pricing usually include:

- How much, if at all, a company should be permitted to revise its rates.
- Which group of customers (residential, commercial, or industrial) will see rate changes.

Participants

Parties to the rate case most often include the following:

- Utility company,
- MPSC staff,
- Parties to the case, and
- Intervenors.

The Rate Case Step-by-Step

Utility Files for a Rate Change

The utility company files an application for a rate change.

Public Notice

Public hearings are scheduled and notices of hearings are published.

- Comments for Commission can also be filed by contacting the MPSC at 800-292-9555.
- MPSC auditors review the applicant's financial books and records.
- MPSC staff and parties study the rate request, ask and answer written questions, prepare evidence, and submit testimony.

Administrative Hearing

The parties present in a courtroom setting before the presiding ALJ.

- The utility company presents witnesses for the case.
- MPSC staff and parties present their evidence and witnesses.
- Parties may ask questions of any witness.
- Parties may present written arguments.
- Parties file briefs on issues.

Proposal for Decision

The ALJ issues a PFD.

- Parties may file exceptions to the PFD.

Commission Order

The Commission prepares and issues its opinion and order.

Order May Be Appealed

Parties may appeal the order:

- to the MPSC by requesting a rehearing or a reconsideration of the order; or
- to the court of appropriate jurisdiction.