To: J. Peter Lark, Chair
Robert Nelson, Commissioner
Laura Chappelle, Commissioner

From: Gary Kitts

Subject: Rate Case Processing

You requested that the Commission Staff conduct an analysis of the length of time required to process a rate case in Michigan compared to other states. To do so, we used data published by Regulatory Research Associates, Inc. regarding rate cases decided between January 1, 1990 and December 31, 2003. We included any cases that were initiated by an application filed by the utility, but did not include any initiated by the Commission on its own motion, on the motion of the Commission Staff, or on the motion of another agency, such as a Consumers Counsel. The total number of cases during this 14-year period was 824, of which 19 were in Michigan. The study includes rate cases from all states except Alaska (we were unable to find any rate cases in the data base) and Nebraska, which relies primarily on municipal regulation. The results of our study are shown in the following table and the specific details for each state are attached.

	Michigan	U.S. Average
Unadjusted Case Time	11.4 Months	10.9 Months
Cases of $100 Million or more (Percent)	21.1 %	9.6 %
Adjusted Case Time	11.4 Months	11.7 Months

The first line of this table indicates that the actual average time to complete a rate case in Michigan was 11.4 months compared to 10.9 months in the rest of the country – a difference of approximately two weeks. However, this average fails to take into account the relative size of the cases involved. It has been our experience (indeed it should be obvious) that large cases require more time than short cases. On average, a rate increase request of $100 million or more lasts 7.3 months longer than a smaller rate case. This difference is significant, because in Michigan 21.1% of all rate requests are for $100 million or more compared to only 9.6% in the rest of the country. Thus, the proportion of large controversial rate cases in Michigan is more than double that in the other states. When an adjustment is made for case size, Michigan's average rate case is actually completed in less time than in other states.[1]

In addition, it is important to recognize the significant impact of the recent increase in rate requests. Between 1990 and 2003, Michigan utilities filed rate requests totaling slightly more than $900 million, an average of approximately $65 million per year. However, this year companies regulated by the Commission are asking for rate increases of approximately $950 million. Thus, utility rate requests this year exceed the total requests for the prior 14 years. Along with these traditional rate requests, Consumers and

[1] (21.1% - 9.6%) x 7.3 months = 0.8 months.

Detroit Edison have asked for an additional $1.1 billion in asset recovery costs pursuant to MCL 460.10d(4) and other relevant sections.[2] Finally, in the next month or so, we anticipate the filing of new rate cases totaling approximately $500 million. Thus, this year, the Commission is faced with rate filings in excess of $2.5 billion, almost triple the total volume over the last 14 years. It goes without saying that it will be a challenge to address these requests, especially in light of the fact that the Commission Staff has been reduced from 240 in 1992 to 148 today.

State	Total $	Wtd $	Months	Wtd Month
Alabama	14.5	0.04%	7.0	0.00
Arizona	1048.4	2.97%	14.3	0.42
Arkansas	136.1	0.39%	10.1	0.04
California	1578.1	4.47%	15.2	0.68
Colorado	331.2	0.94%	9.4	0.09
Connecticut	1327.1	3.76%	6.4	0.24
Delaware	104.8	0.30%	15.0	0.04
District of Columbia	445.6	1.26%	10.3	0.13
Florida	544.5	1.54%	7.1	0.11
Georgia	681.7	1.93%	6.1	0.12
Hawaii	534.7	1.52%	20.0	0.30
Idaho	66.8	0.19%	10.0	0.02
Illinois	2914.0	8.26%	11.2	0.93
Indiana	460.4	1.30%	11.6	0.15
Iowa	504.7	1.43%	8.6	0.12
Kansas	402.7	1.14%	9.1	0.10
Kentucky	185.8	0.53%	8.2	0.04
Louisiana	139.2	0.39%	14.8	0.06
Maine	225.1	0.64%	8.6	0.05
Maryland	1084.4	3.07%	5.8	0.18
Massachusetts	712.1	2.02%	6.5	0.13
Michigan	909.9	2.58%	11.4	0.29
Minnesota	473.0	1.34%	12.1	0.16
Mississippi	120.1	0.34%	4.8	0.02
Missouri	862.9	2.45%	9.0	0.22
Montana	255.6	0.72%	11.0	0.08
Nevada	284.8	0.81%	5.5	0.04
New Hampshire	21.2	0.06%	12.0	0.01
New Mexico	78.5	0.22%	10.1	0.02
New Jersey	1990.4	5.64%	11.7	0.66
New York	3132.2	8.88%	12.2	1.08
North Carolina	445.7	1.26%	6.6	0.08
North Dakota	32.2	0.09%	7.2	0.01

[2] These are total rather than annual asset recovery costs for these items.

Ohio	1604.8	4.55%	11.3	0.51
Oklahoma	225.3	0.64%	20.5	0.13
Oregon	879.9	2.49%	11.0	0.27
Pennsylvania	1693.3	4.80%	8.6	0.41
Rhode Island	89.0	0.25%	7.9	0.02
South Carolina	361.9	1.03%	8.0	0.08
South Dakota	19.7	0.06%	5.2	0.00
Tennessee	63.6	0.18%	6.8	0.01
Texas	3427.6	9.72%	14.3	1.39
Utah	512.0	1.45%	8.5	0.12
Vermont	279.9	0.79%	9.5	0.08
Virginia	827.2	2.34%	15.8	0.37
Washington	1058.7	3.00%	8.1	0.24
Wisconsin	1573.7	4.46%	9.0	0.40
West Virginia	457.7	1.30%	9.3	0.12
Wyoming	157.1	0.45%	7.0	0.03
	35279.8	100.00%		10.9