

Legislative Analysis



GAS AND ELECTRIC UTILITIES: IMPLEMENT RATE INCREASES BEFORE PSC APPROVAL

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House Bill 5523

Sponsor: Rep. Ed Clemente

Committee: Energy and Technology

Complete to 12-17-07

A SUMMARY OF HOUSE BILL 5523 AS INTRODUCED 12-04-07

This bill would amend Section 6a of the Public Service Commission enabling act (MCL 460.6a) to allow a gas or electric utility that has applied to increase its rates or charges to implement the increase after 90 days if the PSC had not yet issued a final order. The utility's application for an increase could be based on its projected costs and revenues.

Customer refunds with interest. If the PSC subsequently issued a final order denying any portion of a rate or charge increase already implemented by a gas or electric utility, the utility would have to refund to its customers the difference between the revenues produced by the implemented changes and the revenues that the approved rates or charges would have generated, with interest.

Applicable interest rate. The interest rate for refunds would be the greater of:

- The average short-term borrowing rate available to the utility during the appropriate period.
- The authorized rate of return on the common stock of the utility during the same period.

Timing of new rate cases. In general, a utility would have to wait nine months after filing a general rate increase application before it could file a new general rate increase case unless it had PSC approval to file a new case sooner. After nine months, the utility could file a new rate increase case even if the PSC had not yet issued a final order on the pending application.

FISCAL IMPACT:

House Bills 5520-5525 are expected to be tie-barred to other pending bills in both the House and the Senate, so this analysis is preliminary. This group of six bills is expected to require the addition of 25 to 30 staff to the Michigan Public Service Commission to administer the new programs and standards and the resulting caseload. The cost of this additional staff is estimated to be \$1.5 million to \$1.8 million, assuming that this many staff can be added to the existing MPSC office space.

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