STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission's own motion, to investigate opportunities for improving the process by which it reviews applications filed under MCL 460.6a.	)))))	Case No. U-21637

At the August 6, 2026 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
Hon. Katherine L. Peretick, Commissioner
Hon. Shaquila Myers, Commissioner

ORDER

On November 28, 2023, Governor Gretchen Whitmer signed Public Act 231 of 2023 (Act 231), which became effective on February 13, 2024. Section 6aa(3) of Act 231, MCL 460.6aa(3), provides that "[n]ot later than June 1, 2024, the commission shall open a proceeding to investigate opportunities for improving the process by which it reviews applications filed under section 6a." "Section 6a" refers to MCL 460.6a, which governs the utility rate case process. On May 23, 2024, the Commission opened the instant docket for the purpose of conducting this investigation into improving the rate case process (May 23 order).

As described in the May 23 order, the Commission's process for reviewing rate case applications was significantly altered when Public Act 341 of 2016 (Act 341) was signed into law. Section 6a(5) of Act 341, MCL 460.6a(5), reduced the amount of time available to the

Commission and the Commission Staff (Staff) to process electric, natural gas, and steam general rate cases from 12 months to 10 months. Notably, MCL 460.6a(5) states that, subject to limited exceptions, "if the commission fails to reach a final decision with respect to a completed petition or application to increase or decrease utility rates within the 10-month period following the filing of the completed petition or application, the petition or application is considered approved." This timeline can be extended, but only at the request of the filing utility.

Though described in the May 23 order, it is worth repeating that over the last nine years (while processing these cases within this compressed timeframe) the cases themselves have undergone an extraordinary expansion in size, particularly with respect to Michigan's two largest investor-owned utilities (IOUs), Consumers Energy Company (Consumers) and DTE Electric Company (DTE Electric). To provide a single example, DTE Electric's 2016 electric rate case, Case No. U-18014, involved 31 parties, 45 witnesses, and 2,031 pages of testimony, and resulted in a 332-page Proposal for Decision (PFD) and a 205-page final decision. By comparison, Consumers' 2026 electric rate case, Case No. U-21870, involved 31 parties, 82 witnesses, and 4,616 pages of testimony, and resulted in a 1,011-page PFD and a 517-page final decision. This trend of expanding case record volumes is reflected in virtually every rate case filed since 2016. While there are a number of benefits to this expansion in intervening parties and issues raised, including the participation of groups representing communities and perspectives that have too often been marginalized in the past and a more robust evidentiary record on which the Commission can base its decisions, it has also put a strain on the resources of all of the entities involved in these cases, including the Commission and its Staff.

In the May 23 order, the Commission invited comments on a variety of topics and also welcomed open-ended comment. The Commission also indicated that it continues to seek ways to enhance the opportunity for interested persons to participate in these matters and to improve the ability of utility customers to understand the implications of these cases, while also enhancing the Commission's ability to hear and decide each rate case issue in a reasonable and prudent manner based on a sufficient evidentiary record. The Commission notes that it has attempted to use the Rate Case Filing Requirements (RCFR) to bring as much predictability, structure, and organization as possible to these cases while ensuring the creation of an adequate record. Not all aspects of the rate case process are within the Commission's control, however, most notably the statutory 10-month decision window and the date that a utility chooses for filing its application.[1] However, the Commission also invited comments on topics that are outside the Commission's jurisdiction to inform the broader discussion around utility rate cases. *See*, May 23 order, pp. 3-4.

On July 2, 2024, the Commission issued an order in this docket extending the time for filing initial comments and reply comments.

On September 27, 2024, initial comments were filed by the Staff; Consumers; DTE Electric and DTE Gas Company (DTE Gas) (together, DTE); the Association of Businesses Advocating Tariff Equity (ABATE); the Michigan Department of Attorney General (Attorney General); the Michigan Office of Administrative Hearings and Rules (MOAHR); the Ecology Center, Environmental Law & Policy Center, Union of Concerned Scientists, and Vote Solar (collectively, the Clean Energy Organizations or CEOs); Michigan Electric and Gas Association (MEGA); the University of Michigan School for Environment and Sustainability; and the

[1] MCL 460.6a(6) provides that a utility may file an application for an increase in rates every 12 months, and MCL 460.6a(1) allows the Commission to require the two largest electric IOUs to space their rate case filings at least 21 days apart.

Natural Resources Defense Council, Ecology Center, EcoWorks, Legacy & Love LLC, Michigan Environmental Council, Michigan Environmental Justice Coalition, Michigan League of Conservation Voters, Sierra Club, Sistas in Development, LLC, Soulardarity, Urban Core Collective (UCC), and We Want Green, Too (collectively, NRDC). On September 30, 2024, initial comments were filed by Michigan Energy Innovation Business Council and Advanced Energy United (collectively, MEIU). On October 25, 2024, reply comments were filed by DTE, Consumers, MEGA, ABATE, the CEOs, NRDC, MOAHR, and the Attorney General. The CEOs stated that, for their reply comments, they are joined by Soulardarity, UCC, and We Want Green, Too. CEOs' reply comments, p. 1.[2]

On July 10, 2025, the Commission issued an order in this docket (July 10 order) summarizing and addressing the filed comments and inviting further comments on three specified issues no later than September 10, 2025. The July 10 order also directed the Staff to file a draft proposal exploring the concept of adopting a separate, standalone proceeding covering the issues of cost of service (COS) and rate design in this docket no later than October 30, 2025, and to file a follow-up report on these issues no later than January 15, 2026. The Commission also invited comments on the latter topics, to be filed no later than February 16, 2026. The Staff's proposal was filed in this docket on October 30, 2025 (October 2025 proposal). *See*, filing #U-21637-0034.

---

[2] The Commission notes that it also held a town hall meeting on May 29, 2025, in Detroit to listen to comments on improving public engagement. Issues surrounding public engagement are addressed in the July 10, 2025 order in Case No. U-21638.

On September 10, 2025, comments on the three issues specified in the July 10 order were filed by the Staff, the Attorney General, MEIU, DTE, Consumers, MEGA, and the City of Ann Arbor.

On December 18, 2025, the Commission issued an order in this docket (December 18 order) summarizing and addressing the comments regarding the three specified issues in the July 10 order. *See*, December 18 order, pp. 15-16.

The Staff filed a follow-up to the October 2025 proposal on January 15, 2026 (January 2026 proposal), stating that the January 2026 proposal is identical to the October 2025 proposal except for the inclusion of a collaborative discussion summary. *See*, filing #U-21637-0036.

On February 13, 2026, MEGA filed comments in response to the January 2026 proposal. On February 16, 2026, ABATE, Consumers, DTE, and Great Lakes Renewable Energy Association (GLREA) filed comments in response to the January 2026 proposal. On February 17, 2026, the Attorney General filed a comment.

<u>The Commission Staff's January 15, 2026 Proposal</u>

As an initial matter, the Staff notes that:

> [i]n preparing this draft proposal, it is important to note the Staff['s] starting point. This draft proposal does not attempt to address the question of whether the Commission should, or should not, implement a separation of the revenue requirement from the cost of service and rate design as outlined in the Commission order. This draft proposal is focused on exploring the best way to effectuate this type of separation for if/when the [Commission] orders this separation.

January 2026 proposal, p. 2.

1. Revenue Requirement Rate Case

The Staff states that a revenue requirement rate case (RRRC) would be a stand-alone case, filed by the utility, requesting an increase to the revenue requirement and would result in a rate change to customers within the statutory deadline. According to the Staff, "[t]his case would litigate a proposed increase to the revenue requirement as filed by the utility, and would be based on the currently approved COSRD [cost of service and rate design] at the time of filing to implement the new requirement." *Id.*, p. 3. The Staff contends that the issues litigated in the RRRC would be rate base; cost of capital; operating income; jurisdictional versus non-jurisdictional revenue requirement allocation; recovery mechanisms; projected test year; state reliability mechanism; accounting requests; environmental justice; diversity, equity, and inclusion; data privacy; safety; reliability; affordability; energy efficiency; distribution; delivery; and electrification plans. The Staff asserts that any issues that are litigated in the RRRC will not be litigated in the COSRD case (COSRDC), and vice versa.

The Staff explains that in an RRRC, previously approved regulatory assets would conform to prior approved functionalization, classification, and allocation. The Staff states that:

> [f]or any newly proposed reg[ulatory]-assets that were not previously approved, the utility would utilize a reasonable method to functionalize, classify, and allocate the newly proposed reg[ulatory]-asset. This functionalization, classification, and allocation would not be contested during the RRRC, and would instead be contested in the subsequent COSRDC. The RRRC would litigate the approval or denial of the proposed reg[ulatory]-asset, as well as the total amount of the reg[ulatory]-asset.

Id.

Next, the Staff asserts that when an RRRC is filed, the utility would use the most recent Commission-approved cost-of-service study (COSS) that incorporates the utility's proposed revenue requirement for the historical and/or projected test period(s). The Staff notes that:

> the utility would distribute proposed spending increases into each FERC [Federal Energy Regulatory Commission] account in the COS based upon actual historical amounts and ratios. The COS would continue to generate revenue requirements by rate class for production and distribution for rate design purposes. The utility would not make (or propose) any functionalization, classification or allocation

> method changes. The utility would only update and populate existing allocators with the determinants for the proposed test period.

Id., p. 4.

Regarding rate design, the Staff states that the utility would use the results from the RRRC COSS and calculate rates using the projected test-year sales forecast to collect the revenue requirement by rate class, however the utility would not propose or incorporate any rate design methodology changes. The Staff contends that "[t]he utility would update the rates to collect the new revenue requirements for production and distribution while maintaining ratios and relationships between rate components within each rate schedule. Where ratios and relationships depend on data that changes from year to year, those values would be updated without being a rate design change." *Id*., p. 5.

In addition, the Staff asserts that in an RRRC, the utility would not propose changes to the tariff language. Rather, the Staff notes that those changes would be litigated in the COSRDC. According to the Staff, "[t]he only changes made to the tariffs in the RRRC would be to update the rates necessary to collect the new revenue requirement." *Id*.

2. Cost of Service and Rate Design Case

The Staff explains that, like the RRRC, the COSRDC would be a stand-alone case filed by the utility to request a change to specific items in COS and rate design. The Staff states that the COSRDC would not increase the revenue requirement or relitigate the approved sales levels; rather, the utility would use the most recent Commission-approved revenue requirement.

The Staff asserts that in the COSRDC, the utility could propose changes to its current COSS methodology and the parties could agree, contest, or propose alternative methodologies. Similarly, with rate design, the Staff states that in the COSRDC, "the utility would also propose any of its rate design methodology changes. All parties would then be able to agree, disagree, contest, or make alternate proposals in response to the utility filing." *Id*., p. 6. Furthermore, the Staff states that in the COSRDC, the utility could propose changes to its tariff book. The Staff explains that "[t]his includes changes to tariff language that would impact policy, rules, tariff administrative methods, adding new tariffs, or cancelling tariffs. All parties would then be able to agree, disagree, contest, or make alternate proposals in response to the utility filing." *Id*., p. 7.

3. Regulatory Models for Timing/Cadence

The Staff proposed four models to address timing and cadence options.

a. Model 1

For the first model, the Staff proposes that after each RRRC, there would be an immediate COSRDC. In this scenario, the Staff states that the RRRC is filed at month zero (RRRC#1) and an order changing the rates is issued at month 10. The Staff notes that at month 12, the utility would file a COSRDC, which would close at month 18, and an order would issue on or after month 18. The Staff recommends issuing a COSRDC order at month 22 because it would be a full year after the rate change from RRRC#1. The Staff explains that:

> [t]his would avoid multiple rate changes in a single year, just as exists today under the TRC [traditional rate case]. The updated rates from the COSRDC order at month 22 would be applicable on a go-forward basis only, no reconciliation or other comparisons necessary. Then, whenever the utility files its next RRRC (after month 22) it would use the [Commission] approved COSRDC order for its cost of service and rate design to develop its RRRC#2 revenue requirement.

Id., p. 8. The Staff notes that Model 1 assumes that the utility has not filed a new RRRC#2 by month 22.

b. Model 2

Similar to Model 1, the Staff proposes that an RRRC#1 is filed at month zero and an order changing the rates is issued at month 10. The Staff notes that at month 12, the utility would file a COSRDC, which would close at month 18, and an order could be issued on or after month 18.

However, the Staff states that, in this scenario, the utility has filed RRRC#2 by month 22. The Staff recommends that the Commission not issue an order in the COSRDC and, instead, issue the COSRDC concurrently with the RRRC#2 order and incorporate the decisions from the COSRDC order in the RRRC#2 order. The Staff states that, "[w]hen issuing the order for RRRC#2, the [Commission] could then indicate that the next COSRDC#2 should be filed 2 months later (such as in Model 1) or it could indicate that a new COSRDC#2 is not needed to be filed if the utility intends to file its next RRRC#3 within "x" months (such as within 1-12 months) from the RRRC#2 order." *Id*.

c. Model 3

The Staff explains that this scenario has a fixed cadence of 18 months to 5 years from the date of the Commission order in the COSRDC. The Staff asserts that "[t]he longer side of this range would result in less work overall compared to a TRC and Models 1 and 2. The longer side of this range would also result in a wider disconnect from the holistic, simultaneous review of the issues currently handled together in a TRC. A cadence of 2.5 to 3 years would be reasonable under a fixed cadence approach, at least as a starting point." *Id*., p. 9. In any event, the Staff states that, in this model, the utility retains the ability to make a filing at any point prior to the next cadence that would address unique or unexpected tariff issues. The Staff also notes that the Commission could utilize one or more of the considerations and characteristics set forth in the January 2026 proposal.

d. Model 4

The Staff explains that this is a hybrid, fluid cadence model that would be linked to the order timing in the next TRC. The Staff asserts that, "[a]t the conclusion of the next TRC, the [Commission] would order that if the utility files for another rate increase within the next 'x' number of months or years then the utility should do so by utilizing the cost of service and rate design approved in the instant TRC." *Id*. The Staff states that the length of "x" number of months could be as long or as short as the Commission prefers and could vary from utility to utility. In addition, the Staff contends that "[t]his model would not result in a separate COSRDC. The COSRD issues, when addressed next, would only be addressed in a TRC format. In practice, this would result in a reduction of the record during a period of frequent rate cases but maintain the TRC structure in a period of non-frequent rate cases." *Id*. Similar to Model 3, the Staff notes that the Commission could utilize one or more of the considerations and characteristics set forth in the January 2026 proposal.

4. Frequency of Rate Increases

The Staff states that pursuant to the current TRC structure, customers may receive one actual rate increase per year resulting from a general rate case. However, the Staff notes that because the utility is required to submit a filing announcement 60 days prior to its next rate case filing, this attracts attention from the news/media and results in "a negative emotional reaction to 'another rate increase' even when there is not an actual rate increase." *Id*. The Staff asserts that when the utility files its rate case application and when the Commission issues an order changing rates, customers have additional negative reactions. The Staff contends that the January 2026 "proposal (all 4 Models) would limit additional customer impacts in a separation scenario to the fullest extent possible." *Id*.

5. Commission Implementation

In the Staff's opinion, the COSRD separation could apply to all utilities or to a limited group or single utility and the separation could be implemented as slowly or as quickly as the Commission prefers. The Staff states that, "[f]or broader implementation, the [Commission] could either update its Rate Case Filing Requirements with new instructions, or it could issue an order that applies to all utilities – or both." January 2026 proposal, p. 10. Additionally, the Staff notes that the Commission could limit implementation to gas utilities only, electric utilities only, or a utility size threshold. The Staff asserts that the Commission "could also consider duration as a key trigger, such that if a utility hasn't filed a new TRC or RRRC for at least 'x years/months' (such as 3 years, or 42 months, etc.) then the utility [could] simply file a TRC instead of a RRRC separation process." *Id*. The Staff notes that the Commission should also consider that holistic review becomes more challenging as the cadence widens.

6. Cost of Service/Rate Design Case Timeframe

The Staff asserts that a COSRDC would not have a statutory deadline and, therefore, the Commission would have flexibility in setting a reasonable duration and schedule for the COSRDC and in deciding whether the Commission would prefer a proposal for decision from an administrative law judge in the matter. The Staff notes that, "[t]he longer the case, the more thoroughly the utility and intervenors would have to fully explore the proposals at issue. This additional time could also result in even more COSRD proposals and recommendations, which may or may not be desirable to the utility, intervenors or the [Commission]." *Id*. According to the Staff, removing the COSRD issues from the TRC would provide the benefit of additional time to review COSRD issues. The Staff asserts that "that 1-3 months after a RRRC order would be reasonable amount of time for a utility to prepare and file a COSRDC. Once a COSRDC is filed, Staff believes that a timeframe of 4-8 months from the filing of the application to the close of the record would be reasonable for the COSRDC." *Id*. The Staff states that, after the record is closed, the Commission could issue a COSRDC order whenever it deems appropriate.

Additionally, the Staff asserts that a separate COSRDC will isolate the COSRD issues, which will provide clearer identification of actual dollar and rate impacts. However, the Staff notes that "while this increased clarity may appear to be a positive result of separation[,] it could have the opposite effect on possible settlement efforts. Similarly, this concept applies to potential significant issues (such as interconnecting data centers) that might be better handled outside of a TRC and/or without a statutory deadline." *Id*., pp. 10-11.

7. Size of the Rate Case Record/Amount of Work/Shifting of Work

The Staff states that the Commission has noted the extraordinary expansion in the size of rate case records and asserts that all four proposed models would help decrease the size of the record. However, the Staff contends that a decrease in the record may not result in a decrease in work (at least with regards to Models 1 and 2); rather, the Staff asserts that it would result in a shift of work. The Staff explains that:

> [t]he utility, Staff, intervenors and the [Commission] would still address the same basket of issues that arise in a single TRC in any of these models. In terms of overall work, Model 1 could even result in a little more work via the separation approach but not enough to be a deterring factor if the [Commission] pursues this course. However, Models 2+3+4 could also reduce the total amount of work overall as Model[s] 2+3+4 have a timing component that could result in a situation where there is not a 1:1 relationship between a RRRC and a COSRDC.

Id., p. 11. In other words, the Staff asserts that if utilities continue to file frequent rate cases, Models 2, 3, and 4 would result in less overall work because, occasionally, an RRRC would not need a subsequent COSRDC.

8. Settlement Impact

The Staff states that it is difficult to predict the impact on settlement discussions of separating COSRD from the TRC. The Staff contends that, "[o]n the one hand, both the RRRC and COSRDC would be smaller than a TRC and thus have few issues to address. Fewer issues could mean an easier path to settlement. But on the other hand, fewer issues also reduce the number of variables for which a party could utilize to achieve an acceptable outcome for addressing its particular issues." *Id*.

9. Other Jurisdictions

The Staff notes that separating COSRD from the revenue requirement is a unique idea and, based on the Staff's research, not implemented in other states. The Staff states that, "[a]s such, Staff was not able to evaluate or analyze any lessons learned from other jurisdictions while developing this draft proposal." *Id*.

10. Next Steps – Collaborative

The Staff states that the July 10 order directed the Staff to convene one or two collaborative meetings in November and/or December 2025 to discuss the draft proposal with interested persons. In the Collaborative Discussion Summary, the Staff notes that approximately 50 individuals that represented more than 20 entities attended the collaborative discussion on November 18, 2025. The Staff asserts that, during the conference, several participants noted the following:

> Models 1, 2, and 3 would not reduce the amount of total work and could cause more work. These models could also result in case overlap, and possibly a larger overall record over the split cases.
>
> Model 4 has the best potential to reduce work and would be better management of the record (compared to the other Models).
>
> The Models won't reduce the frequency of rate increases.
>
> To reduce the volume of cases, the Commission should require historical calendar years and not projected years.
>
> Establish ROE [return on equity] on a 3-year cycle and not revisit in each rate case.
>
> Improving the discovery process would be beneficial.

Possible exemptions for smaller utilities.

Id., p. 13.

The Staff asserts that it invited comments and input about several areas of the draft proposal. The Staff contends that, "[d]uring the collaborative, the participants did not identify any items or considerations that the Draft Proposal failed to address. Similarly, the participants did not identify any particular area of the Draft Proposal as being unclear. The participants also did not propose any alternate ideas of how to effectuate the separation of the [COSRD] from the rate case process." *Id*.

Comments

1. Association of Businesses Advocating Tariff Equity

ABATE provides an overview of the Staff's January 2026 proposal and Models 1-4. ABATE notes that, "[w]hile Staff is likely correct that Model 1 is unlikely to produce total work savings, rather than achieving the savings in total work suggested by Staff, Models 2 and 3 would likely lead to much longer and involved work for COSRD issues than currently occurs in rate cases. As a result, Model 2 or Model 3 would not provide any total work savings." ABATE's February 16, 2026 comments, p. 4. In addition, ABATE contends that Models 2 and 3 may divert intervenor resources away from litigating revenue requirement issues and consequently lead to higher utility rates.

ABATE asserts that Model 4 may provide total work savings. However, ABATE states that "it is not clear how much of a savings would be provided, given that the time required to address COSRD issues in rate case proceedings can vary significantly from case to case. Furthermore, it is not clear whether the Commission has the statutory authority to explicitly preclude the discussion of cost of service and rate design issues in a rate case." *Id*. In addition, ABATE contends that it is unclear how utility filings between rate cases, which may include proposed changes to tariff language, rates, or costs, would be managed if RRRCs and COSRDCs are separate and these issues are not holistically addressed. ABATE also states that "none of these proposals address the fundamental underlying problems with the current rate case process, which include the 10-month statutory deadline mandated in MCL 460.6a(5), the frequency of utility rate case filings, and the number of new issues injected into rate case proceedings that were previously not in those cases." ABATE's February 16, 2026 comments, pp. 4-5.

In conclusion, ABATE asserts that there was a lack of support from interested persons for the Staff's proposals and notes that the Staff declined to endorse a specific aspect of the January 2026 proposal. Accordingly, ABATE requests that the Commission "decline to further pursue the proposals set out in the Staff Report at this time." ABATE's February 16, 2026 comments, p. 5.

2. Michigan Department of Attorney General

The Attorney General notes that she participated in the November 18, 2025 collaborative and provided input to the Staff. However, she expresses concern that the recent growth in data center development may cause COSRD issues to become larger issues going forward. The Attorney General states that, "[a]lthough removing COSRDC matters will give parties more time to focus on them, the Attorney General is concerned that there could be a mismatch between the implementation of new rates and the implementation of any new COSRDC." Attorney General's February 17, 2026 comments, p. 1. Accordingly, she requests additional time to consider the impacts of the Staff's recommendations.

3. Consumers Energy Company

Consumers opines that separate RRRCs and COSRDCs will create more filings and cases for the Commission to manage and decide. Consumers asserts that "[t]his would not serve to reduce the workload for the utility, [interested persons], or the Commission, but instead spread it over more cases, likely resulting in increased costs associated with additional administrative proceedings." Consumers' February 16, 2026 comments, pp. 2-3.

Regarding the Staff's proposed Models 1-4, Consumers contends that these will lead to additional work and confusion, will increase expenses, and will not reduce total workload. Consumers explains that, "[i]n Models 1 and 2, there could be an RRRC and COSRDC litigated at the same time. There would be no reduction in workload but in fact it would increase the number of cases, require two different case schedules, two hearings, two briefing periods, and two separate orders." *Id*., p. 3. Although Models 3 and 4 would limit how often the COSRD issues are addressed, Consumers asserts that version 1 of COSRD would need to be reviewed and approved in filings and, therefore, this would not reduce workload. Consumers acknowledges that "Model 4 appears to be the most likely to reduce workload, but it may preclude the Company from addressing emergent issues that could have an impact on COS and RD [rate design] in a timely manner. In each model, the Company must still produce a version 1 COS, RD, and tariffs." *Id*., pp. 3-4.

Furthermore, Consumers argues that these models could increase customers' negative perception of rates. In Consumers' opinion, "[i]t will be difficult to help customers understand that their rates are still only changing once per year. Customers do not distinguish between revenue requirements, COS, and RD proceedings." *Id*., p. 4. Consumers asserts that, even if customers' rates only change once per year, the processes set forth in the January 2026 proposal may provide the impression of frequent and overlapping increases and customers may have increased difficulty in understanding their bills.

Consumers also contends that separate RRRCs and COSRDCs could make it more difficult for the Commission to holistically review rate impacts. Consumers states that "COS and RD decisions often involve policy considerations such as gradualism and bill stability, which are best evaluated concurrently, not sequentially." Consumers' February 16, 2026 comments, p. 4.

In conclusion, Consumers requests that COSRD issues be addressed in the same case as the revenue requirement because it allows for a more fully developed record for the Commission's consideration. Consumers also "stresses that the utility's right to timely recovery of its costs of providing services cannot be limited by delaying the implementation of rate relief by delaying the determination of COS and RD issues beyond the determination of the utility's revenue deficiency." *Id*. Consumers asserts that the Commission should exercise caution in changing the rate case process in a manner that would introduce regulatory lag and delay Consumers' ability to recover its costs that would be contrary to Michigan law and established precedent and practice.

4. DTE Electric Company and DTE Gas Company

DTE states that after a review of the January 2026 proposal, it is unlikely to improve efficiency by separating COSRD from the RRRC, and customers may perceive the multiple cases as multiple rate increases. DTE asserts that "COS/RD is not an area suitable for separation from the rate case process. However, to the extent that the Commission chooses to do so, any change in the process for conducting COS/RD must ensure it is a net efficiency gain when considering the current process and a potential new process." DTE's February 16, 2026 comments, p. 2.

Next, DTE states that:

> while the COS methodologies and RD structures and tariffs may not change in a RRRC, the creation of a new COSRDC may invite relatively more [interested person] input and new proposals for COS/RD than if the rate case process remained unchanged. When [interested persons] are less constrained by the standard rate case process and issues, the opportunity to expand on COS and RD issues arises.

Id., p. 3. In addition, DTE notes that in its most recent electric rate case, Case No. U-21860, approximately 150 of the 13,500 pages of direct and rebuttal testimony and exhibits were COSRD proposals. Therefore, DTE asserts, "[a]ny new COS/RD proceeding would need to be limited to less than ~150 pages to result in overall reduction of the record." DTE's February 16, 2026 comments, p. 3. DTE also notes that, in Case No. U-21860, it filed approximately 400 pages of direct testimony and exhibits regarding COSRD and that 90% of that total would still be required to be filed in an RRRC even if a separate COSRDC was filed. Accordingly, DTE opines that the workload and volume of the record will not substantially decrease if COSRD issues are separated from the revenue requirement.

DTE contends that, if COSRD issues are separated from the revenue requirement, customers will perceive that there is a rate change each time an RRRC or COSRDC is announced. DTE asserts that rates will change at the conclusion of each RRRC and COSRDC and, "[t]hus, the number of actual rate changes could be up to twice as frequent as current rate case changes. When layered on top of the perception of rate changes when the Company announces and then files cases, customers may believe rates are changing up to four times per year despite the revenue requirement changing only once." DTE's February 16, 2026 comments, p. 4.

Regarding Models 1-3, DTE argues that:

> the Commission would need to bring together assumptions from RRRC #2 and COSRDC #1 in issuing a simultaneous order. These cases would be based on potentially different historical and forecasted test year assumptions, sales, present

> and proposed revenues, resulting in misalignment and likely confusion of case records. It would be difficult for the Commission and [interested persons] to isolate the impacts of individual methodologies and investment changes in decision-making.

Id. In DTE's opinion, simultaneous and parallel cases will not reduce the workload for managing a rate case. Rather, DTE states that, "[w]hile it is possible there could be a slight reduction in RRRC materials, simultaneously conducting the COSRDC would mean that the same topics are being litigated in parallel, simply in different dockets." *Id*.

DTE asserts that reductions to workload and case volume and improvements to the COSRD methodologies would be best effectuated in the existing rate case process and, therefore, the Staff's proposed Model 4 is most useful. According to DTE, "[i]t avoids foreseeable issues associated with separating a COSRDC described above, such as increased litigation in the new COSRDC, overlapping issues given the timing of assumptions, filings, and orders, and customer perceptions of rate impacts." *Id*., p. 5. However, in the event the Commission approves a separate COSRDC, DTE contends the COSRDC should not have an indefinite timeline. DTE asserts that changes to rates should have a definite conclusion to allow the utility to adequately plan and to ensure that rates remain relevant to current costs.

5. Great Lakes Renewable Energy Association

GLREA notes that, according to Consumers and DTE, a very small portion of the case record pertains to COSRD. Therefore, GLREA argues that separating COSRD from the RRRC will not reduce the volume and complexity of rate cases. In addition, GLREA contends that COSRD "issues are of equal importance to customer rate classes as is the determination of the revenue requirement." GLREA's February 16, 2026 comments, p. 3. Moreover, GLREA asserts that the parties to the case have constitutional and statutory rights to a full contested case hearing that is followed by a Commission decision on the whole evidentiary record.

GLREA acknowledges that the Commission has discretion to conduct a separate procedure to improve COSRD; however, GLREA believes that this is not an opportune time to separate COSRD from the RRRC. According to GLREA, "Michigan is now at the doorstep of experiencing a rapid expansion of numerous large data centers in the service territories of DTE Electric and Consumers Energy, among other utilities, which may well have the impact of increasing numerous costs to the utility which should be assignable to the large load data centers, and not to the utility's other non-data center customers." *Id*. GLREA states that existing COSSs may already be outdated and applying a revenue requirement to an outdated COSS or rate design may result in the subsidization of data center costs by residential customers. Therefore, GLREA requests that COSRD issues remain in a TRC.

Next, GLREA contends that the January 2026 proposal fails to address the actual cause for the expansion of the evidentiary record in rate cases. GLREA asserts that "[t]his expansion has been directly caused by the Commission's delegation to the utilities to propose overly extended projected test years pursuant to which the utilities present speculative forecasts to support vast increases in rate base and in operating, maintenance and other costs based upon 'wish lists' of self-serving and exaggerated investment and cost projections." *Id*., p. 4. Although MCL 460.6a permits the utility to file a projected test year, GLREA argues that the Commission is not required to adopt the projected test year and, instead, may use an historical test year to set rates.

GLREA states that the most effective method for reducing the evidentiary record is to require the utility to provide an historical test year based on the utility's financial results determined at the end of their fiscal years and to also allow the presentation of a projected test year that extends no more than 12 months from the end of the historical test year. GLREA explains that:

> [t]he adoption of a 12-month projected test year, commencing at the end of the historical test year, would readily comply with Section 6a, which provides for the filing of a projected test year comprising 12 consecutive months (and not the longer time period projected by DTE or Consumers Energy following the filing of their rate cases). Such an approach[] would shorten projected test years by 6-12 months, which by itself may curtail the increasing complexity of rate cases.

GLREA's February 16, 2026 comments, p. 5; *see also*, *id*., pp. 7-8. In addition, GLREA recommends that the Commission could require that 12-month projected test years only include projections based on known and certain future changes in investment and costs. GLREA asserts that, currently, the filings in utilities' rate cases are:

> based substantially upon overly extended future projected test years [that] creates the unbalanced situation whereby the utility's claimed projections and forecasts become virtually unchallengeable assertions of costs and indeed "phantom costs" not representative of the time period for which rates are being established, which undermines the Commission's duty to set just, reasonable, and affordable rates based upon reasonable and prudent investments and costs.

Id., p. 5.

Furthermore, GLREA argues that there is a significant mismatch between the 10-month period in which the Commission must provide a decision on the utility's rate case and the longer projected test year on which the rate decision is based. GLREA asserts that, "within 2 months after the issuance of each rate order, the utility can then file another rate case, wherein the utility again proposes a far future projected test year, with the Commission issuing another rate order in 10 months even though the projected test year from the previous rate case may not have yet expired." *Id*., p. 7. GLREA contends that, as a result, the utility is receiving more than one rate increase within the projected test year approved in the previous case. In GLREA's opinion, this is the cause of the increased evidentiary record and complexity of issues in rate cases.

6. Michigan Gas and Electric Association

MEGA notes that "volume of workload" may not be the most appropriate measure for smaller utilities when evaluating how to improve the rate case process. MEGA explains that separating the COSRD issues from the revenue requirement may "have an outsized impact on the utility's costs for the utility and its ratepayers, with additional staff time and resources dedicated to another process." MEGA's February 16, 2026 comments, p. 3. MEGA also states that its members settle over 86% of the time in just over half of the statutorily prescribed time for a rate case. MEGA asserts that "[t]he efficiency of these proceedings are saving both the Commission, its Staff, utility ratepayers, and other parties significant time and money. MEGA suggests that bifurcating the process of [COSRD] may make settlement more difficult and extend the timeline for potential settlement, further increasing workload." *Id*. Accordingly, MEGA recommends that smaller utilities should be exempted from the additional COSRDC if the Commission decides to separate the COSRD issues from the revenue requirement.

If the Commission does not exempt smaller utilities from this decision, MEGA prefers Model 4. However, regarding the appropriate time period that triggers the requirements, MEGA recommends "that with the 12-month time frame between filings, 13-months is an appropriate trigger." *Id*., p. 5. MEGA states that if it is too difficult to reach consensus on this issue, the Commission could address it in each utility's next TRC after the Commission's order in this case.

<u>Discussion</u>

The Commission thanks the Staff for its diligent work on the January 2026 proposal to explore possible methods for separating the revenue requirement and COSRD into standalone cases and to determine whether separation of the issues would: (1) allow for more effective and efficient use of time and resources, (2) enhance the opportunity for interested persons to participate in these matters, (3) improve the ability of utility customers to understand the implications of these cases, and (4) enhance the Commission's ability to hear and decide each rate case issue in a reasonable and prudent manner based on a sufficient evidentiary record. In addition, the Commission appreciates the comments provided by interested persons on these issues. It is clear that there is a desire for increasing simplicity and reducing workload from many interested persons as well, and the Commission appreciates the thoughtful approaches taken by the Staff and commenters in analyzing and proposing potential solutions.

As noted above, because of the recent extraordinary expansion in size of rate cases, the increased participation by interested groups, and the compressed timeline for a Commission decision in a rate case, the Commission finds that it was important for the Staff and interested persons to undertake a detailed exploration of possibly separating the revenue requirement and COSRD into standalone cases. However, the Commission finds persuasive the consensus among the commenters that separating the revenue requirement and COSRD into standalone cases will not save work or time for the parties or reduce the volume and complexity of rate cases. Rather, the commenters agree that separation of the issues will result in added filings and cases for the Commission's consideration, create additional expenses, increase inefficiencies, cause additional burdens for smaller utilities, and, most importantly, confuse customers. Accordingly, the Commission finds strong support to maintain the current process of determining the revenue requirement and the COSRD in a single proceeding. Furthermore, the Commission finds that this docket should be closed.

THEREFORE, IT IS ORDERED that this docket is closed.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at LARA-MPSC-Edockets@michigan.gov and to the Michigan Department of Attorney General - Public Service Division at sheac1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Katherine L. Peretick, Commissioner

Shaquila Myers, Commissioner

By its action of August 6, 2026.

Lisa Felice

Lisa Felice, Executive Secretary

P R O O F   O F   S E R V I C E

STATE OF MICHIGAN)

Case No. U-21637

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on August 6, 2026 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).

Brianna J. Brown

Brianna Brown

Subscribed and sworn to before me
this 6th day of August 2026.

Angela P. Sanderson

Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2030

GEMOTION DISTRIBUTION SERVICE LIST

kabraham@mpower.org	Abraham,Katie - MMEA
mkuchera@AEPENERGY.COM	AEP Energy
mfurmanski@algerdelta.com	Alger Delta Cooperative
akellen@wppienergy.org	Alger Delta Cooperative
kd@alpenapower.com	Alpena Power
dgreen@alpenapower.com	Alpena Power
VSTRetailReg@VistraCorp.com	Ambit Midwest, LLC
kerdmann@atcllc.com	American Transmission Company
acotter@atcllc.com	American Transmission Company
john.calhoun@ardentnaturalgas.com	Ardent Natural Gas, LLC
awebster@baycitymi.gov	Bay City Electric Light & Power
sara.anderson@bayfieldelectric.com	Bayfield Electric
rbishop@BISHOPENERGY.COM	Bishop Energy
braukerL@MICHIGAN.GOV	Brauker, Linda
cherie.fuller@bp.com	BP Energy Retail Company, LLC
christine.hughey@bp.com	BP Energy Retail Company LLC
greg.bass@calpinesolutions.com	Calpine Energy Solutions
lachappelle@varnumlaw.com	Chappelle, Laura
manderson@wpsci.com	Cherryland Electric
mengels@wpsci.com	Cherryland Electric
cdrys@wpsci.com	Cherryland Electric
ljohnson@wpsci.com	Cherryland Electric
rjohnson@cherrylandelectric.coop	Cherryland Electric Cooperative
frucheyb@DTEENERGY.COM	Citizens Gas Fuel Company
crystalfallsmgr@HOTMAIL.COM	City of Crystal Falls
gpirkola@escanaba.org	City of Escanaba
jolson@gladstonemi.gov	City of Gladstone
kmaynard@cityofmarshall.com	City of Marshall
tdavlin@portland-michigan.org	City of Portland
cwilson@cloverland.com	Cloverland Electric
mheise@cloverland.com	Cloverland Electric
todd.mortimer@CMSENERGY.COM	CMS Energy
Kenneth.Johnston@cmsenergy.com	Consumers Energy
Yong.Keyes@cmsenergy.com	Consumers Energy
chibuzo.obikwelu@cmsenergy.com	Consumers Energy
sarah.jorgensen@cmsenergy.com	Consumers Energy Company
Michael.torrey@cmsenergy.com	Consumers Energy Company
CANDACE.GONZALES@cmsenergy.com	Consumers Energy Company
mpsc.filings@CMSENERGY.COM	Consumers Energy Company
mpsc.filings@CMSENERGY.COM	Consumers Energy Company
david.fein@CONSTELLATION.COM	Constellation Energy
kate.stanley@CONSTELLATION.COM	Constellation Energy
kate.fleche@CONSTELLATION.COM	Constellation New Energy

GEMOTION DISTRIBUTION SERVICE LIST

choicecompliance@constellation.com	Constellation New Energy Inc
lpage@dickinsonwright.com	Dickinson Wright
shaundillon@dillonenergy.com	Dillon Energy Services
info@dillonpower.com	Dillon Power, LLC
Neal.fitch@nrg.com	Direct Energy
Kara.briggs@nrg.com	Direct Energy
Ryan.harwell@nrg.com	Direct Energy
bryce.mckenney@nrg.com	Direct Energy
stephen.lindeman@dteenergy.com	DTE Energy
karl.lievense@dteenergy.com	DTE Energy
konstantin.korolyov@dteenergy.com	DTE Energy
mpscfilings@DTEENERGY.COM	DTE Energy
joyce.leslie@dteenergy.com	DTE Energy
karen.vucinaj@dteenergy.com	DTE Energy
customerservice@eligoenergy.com	Eligo Energy MI, LLC
regulatory@eligoenergy.com	Eligo Energy MI, LLC
frank.travaglione@vistracorp.com	Energy Harbor
rfawaz@energyintl.com	Energy International Power Marketing d/b/a PowerOne
sejackinchuk@varnumlaw.com	Energy Michigan
michael.reiss@engie.com	Engie Gas & Power LLC
customercare@plymouthenergy.com	ENGIE Gas & Power f/k/a Plymouth Energy
VSTRetailReg@VistraCorp.com	Everyday Energy, LLC d/b/a Energy Rewards
felicel@MICHIGAN.GOV	Felice, Lisa
bgorman@FIRSTENERGYCORP.COM	First Energy
phil@allendaleheating.com	Forner, Phil
dburks@glenergy.com	Great Lakes Energy
manderson@wpsci.com	Great Lakes Energy
mengels@wpsci.com	Great Lakes Energy
cdrys@wpsci.com	Great Lakes Energy
ljohnson@wpsci.com	Great Lakes Energy
slamp@glenergy.com	Great Lakes Energy Cooperative
sculver@glenergy.com	Great Lakes Energy Cooperative
johnm@gogreenlightenergy.com	Greenlight Energy Inc.
lrgustafson@CMSENERGY.COM	Gustafson, Lisa
jhammel@hillsdalebpu.com	Hillsdale Board of Public Utilities
coneill@homeworks.org	HomeWorks Tri-County Electric Cooperative
psimmer@HOMEWORKS.ORG	HomeWorks Tri-County Electric Cooperative
bmcbride@aep.com	Indiana Michigan Power
mgobrien@aep.com	Indiana Michigan Power Company
dan@megautilities.org	Integrys Group
daustin@IGSENERGY.COM	Interstate Gas Supply Inc
michael.nugent@igs.com	Interstate Gas Supply d/b/a IGS Energy
general@itctransco.com	ITC Holdings
cmarshall@itctransco.com	ITC Holdings
apascaris@itctransco.com	ITC Holdings

GEMOTION DISTRIBUTION SERVICE LIST

vanesetti@justenergy.com	Just Energy of Michigan Corporation
igoodman@commerceenergy.com	Just Energy Solutions
krichel@DLIB.INFO	Krichel, Thomas
dbodine@LIBERTYPOWERCORP.COM	Liberty Power
ham557@GMAIL.COM	Lowell S.
tjlundgren@varnumlaw.com	Lundgren, Timothy
tcarpenter@mblp.org	Marquette Board of Light & Power
regulatory@medianenergy.com	Median Energy Corporation
suzy@megautilities.org	MEGA
dan@megautilities.org	MEGA
mmann@USGANDE.COM	Michigan Gas & Electric
VSTRetailReg@VistraCorp.com	Michigan Gas & Electric (US Gas & Electric)
shannon.burzycki@wecenergygroup.com	Michigan Gas Utilities Corporation
mrzwiers@INTEGRYSGROUP.COM	Michigan Gas Utilities/Upper Penn Power/Wisconsin
kabraham@mpower.org	Michigan Public Power Agency
info@michigannaturalgasllc.com	Michigan Natural Gas, LLC
JHDillavou@midamericanenergyservices.com	MidAmerican Energy Services, LLC
JCAltmayer@midamericanenergyservices.com	MidAmerican Energy Services, LLC
LMLann@midamericanenergyservices.com	MidAmerican Energy Services, LLC
manderson@wpsci.com	Midwest Energy
mengels@wpsci.com	Midwest Energy
cdrys@wpsci.com	Midwest Energy
ljohnson@wpsci.com	Midwest Energy
dave.allen@TEAMMIDWEST.COM	Midwest Energy Cooperative
terry.rubenthaler@teammidwest.com	Midwest Energy Cooperative
kerri.wade@teammidwest.com	Midwest Energy Cooperative
Marie-Rose.Gatete@teammidwest.com	Midwest Energy Cooperative
meghan.tarver@teammidwest.com	Midwest Energy Cooperative
d.motley@COMCAST.NET	Motley, Doug
rarchiba@FOSTEROIL.COM	My Choice Energy
customerservice@nordicenergy-us.com	Nordic Energy Services, LLC
regulatory@nordicenergy-us.com	Nordic Energy Services, LLC
karl.j.hoesly@xcelenergy.com	Northern States Power
sarah.m.frazee@xcelenergy.com	Northern States Xcel
kbeattie@ntherm.com	nTherm, LLC
daho@ontorea.com	Ontonagon County Rural
esoumis@ontorea.com	Ontonagon County Rural Electric
regulatory@indraenergy.com	PALMco Energy MI, LLC d/b/a Indra Energy
mpauley@GRANGERNET.COM	Pauley, Marc
mmpeck@fischerfranklin.com	Peck, Matthew
bschlansker@PREMIERENERGYLLC.COM	Premier Energy Marketing LLC
manderson@wpsci.com	Presque Isle

GEMOTION DISTRIBUTION SERVICE LIST

mengels@wpsci.com	Presque Isle
cdrys@wpsci.com	Presque Isle
ljohnson@wpsci.com	Presque Isle
MVanschoten@pieg.com	Presque Isle Electric & Gas Cooperative, INC
aberg@pieg.com	Presque Isle Electric & Gas Cooperative, INC
yesterdae@getprovision.com	Provision Power & Gas, LLC
johnbistranin@realgy.com	Realgy Corp.
BusinessOffice@REALGY.COM	Realgy Energy Services
akeilson@genieretail.com	Residents Energy LLC
btrombino@rpaenergy.com	RPA Energy d/b/a Green Choice Energy
mvorabouth@ses4energy.com	Santana Energy
rabaey@SES4ENERGY.COM	Santana Energy
ttynes@ses4energy.com	Santanna Natural Gas Corporation
trish.mcfadin@southstarenergy.com	SouthStar d/b/a Grand Rapids Energy
kejoseph@sparkenergy.com	Spark Energy Gas, LP
cborr@WPSCI.COM	Spartan Renewable Energy, Inc. (Wolverine Power Marketing Corp)
jbelec@stephenson-mi.org	Stephenson Utilities Department
kay8643990@YAHOO.COM	Superior Energy Company
legal@symmetryenergy.com	Symmetry Energy Solutions, LLC
regulatory@texasretailenergy.com	Texas Retail Energy, LLC
agilbert@cleanskyenergy.com	Tital Gas, LLC d/b/a CleanSkyEnergy
bessenmacher@tecmi.coop	Thumb Electric Cooperative
president@tomorrowenergy.com	Tomorrow Energy Corporation
manderson@wpsci.com	Tri-County Electric
mengels@wpsci.com	Tri-County Electric
cdrys@wpsci.com	Tri-County Electric
ljohnson@wpsci.com	Tri-County Electric
mlindsay@uetllc.com	United Energy Trading d/b/a Kratos Gas & Power
colleen.sipiorski@wecenergygroup.com	Upper Michigan Energy Resources Corporation
djmier@integrysgroup.com	Upper Michigan Energy Resources Corporation
James.Beyer@wecenergygroup.com	Upper Michigan Energy Resources Corporation
Richard.Stasik@wecenergygroup.com	Upper Michigan Energy Resources Corporation
nbell@uppco.com	Upper Peninsula Power Company
jformol@uppco.com	Upper Peninsula Power Company
ghaehnel@uppco.com	Upper Peninsula Power Company
estocking@uppco.com	Upper Peninsula Power Company
manager@villageofbaraga.org	Village of Baraga
Villagemanager@villageofclinton.org	Village of Clinton
VSTRetailReg@VistraCorp.com	Viridian Energy PA, LLC
jeinstein@volunteerenergy.com	Volunteer Energy Services
leew@WVPA.COM	Wabash Valley Power
melissa.schauer@wecenergygroup.com	We Energies
andrew.miller1@wecenergygroup.com	We Energies
melissa.schauer@wecenergygroup.com	Wisconsin Public Service

GEMOTION DISTRIBUTION SERVICE LIST

andrew.miller1@wecenergygroup.com	Wisconsin Public Service
tking@WPSCI.COM	Wolverine Power
jbaumann@wpsci.com	Wolverine Power
cborr@wpsci.com	Wolverine Power
ddecouer@wpsci.com	Wolverine Power
bvalice@wpsci.com	Wolverine Power
Amanda@misostates.org	Wood, Amanda
Deborah.e.erwin@xcelenergy.com	Xcel Energy
Michelle.Schlosser@xcelenergy.com	Xcel Energy
bryce.mckenney@nrg.com	Xoom Energy Michigan, LLC d/b/a Xoom Energy