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November 18, 2010

RE: DOCKET NO. ACC-00000A-10-0466

Dear Colleagues and Interested Parties:

Over the past year, I have become concerned over the time involved in processing rate cases, whether for A-size companies or E-size companies. Based upon this concern and possible perceived regulatory lag, I would like to begin a discussion as to how our process can be streamlined/modified to the benefit of not only regulated utilities, but just as importantly, to the benefit of ratepayers.

My goal is to appropriately balance consumer and company interests. In my opinion, the current process has the potential to become even lengthier due to budget constraints that have caused our Utilities Division to forego filling vacant positions. I believe that if a company truly requires a rate increase, the company should receive that increase in a timely fashion, in order to allow the company to remain viable and give the ratepayers the service they require. However, customers should also be protected from companies who request rate increases that are unmerited and/or obviously overstated.

So, I have taken the liberty to identify the options set forth below. However, these are not intended to be an exclusive list of options. It is my intent to become better informed regarding opportunities to identify a more streamlined process, if possible. I am seeking your input and any suggestions that you may have concerning each option listed. I am also seeking your suggestions as to how we might streamline and/or modify the process.

When filing a rate case, utilities could choose, at the time of filing, one of the following four options-

1. The current process, i.e., the current time clock rules would be adhered to as best as possible and new rates would go into effect whenever the Commission issued its decision.
2. The current process would be followed, but the rate case management process would be amended to add a procedure whereby the Commission could allow the lower of one-half of the company requested rate increase, or no more than a ten percent rate increase, to go into effect (as interim rates) at the expiration of the applicable time clock, if the Commission had not yet issued its decision. In other words, for an A-size company, a ten percent interim rate increase or one-half the company requested rate increase would go into effect 365 days after sufficiency if the Commission had not yet issued a decision. Once the final decision is issued by the Commission, if the approved rate increase is less than the interim rate increase that was approved by the Commission, the company would be required to refund the over-collection along with nominal interest, perhaps at the T-bill rate.
3. This option would be the same as Option #2 above, except that the Commission could approve the interim rate increase even earlier, i.e., after the issuance of the Staff Report or Staff Testimony containing Staff's proposed rate increase. The interim rates that would go into effect could be the lowest of Staff's proposed rates, the company's proposed rates, or a ten percent increase. In addition, if a

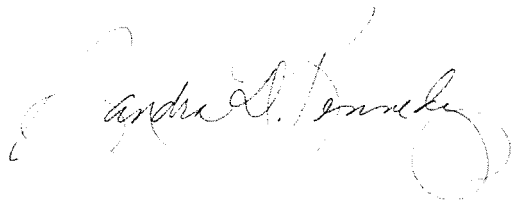
refund was required due to final Commission approved rates being lower than the interim rates, the refund amount would be subject to a higher interest rate than that set forth for Option #2, perhaps six percent (similar to some tariffs governing customer deposits) or prime plus two percent, whichever is higher.

4. Option #4 would be the same as Option #2 above, except that the Commission could approve the interim rate increase following the issuance of Staff's Sufficiency Letter. However, if the final Commission approved rate increase was less than the allowed interim rate increase, thus requiring a refund, any refund would be subject to a higher interest rate than that set forth for Option #3, perhaps the Commission's authorized rate of return for that Company.

In addition, I invite you to offer comment regarding a statement at a recent Commission workshop suggesting that the refund in Option #4 be 3 to 5 times the over collection.

Obviously, the above options are very basic; the details will have to be determined and properly delineated to ensure that parties' rights are not infringed upon. At this point, I would like to have your thoughts and suggestions, including recommendations, on the above proposal. In addition, I would like to receive additional ideas regarding how you believe the rate case process could be improved, such as an expedited discovery procedure or other rate case processing efficiencies. To that end, I look forward to discussing this issue at a future Commission Open Meeting with my colleagues. Also, I request that interested parties file any responses to this letter in the referenced Docket no later than December 17, 2010.

Sincerely,



Sandra D. Kennedy
Commissioner

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