



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
PUBLIC SERVICE COMMISSION

STEVE ARWOOD  
DIRECTOR

ORJIAKOR N. ISIOGU    JOHN D. QUACKENBUSH    GREG R. WHITE  
COMMISSIONER                      CHAIRMAN                      COMMISSIONER

March 4, 2013

Honorable Rick Snyder  
Governor of Michigan

Honorable Members of the Michigan Senate

Honorable Members of the Michigan House of Representatives

The enclosed *2012 Annual Report* is submitted on behalf of the Michigan Public Service Commission (Commission) in accordance with Section 5a of 1989 PA 33; MCL 460.5a. The report is also available on the Commission's website.

In 2012, the Commission continued its efforts to support the Governor's efforts to "Reinvent Michigan." The Commission renewed its efforts to provide information, complaint assistance, and financial support to those most needing it. As always, the Commission commits itself to balancing the needs of consumers and utility providers.

Throughout 2012, the Commission maintained its commitment to address the needs of Michigan's low-income and senior citizens, awarding \$27,000,000 from the Vulnerable Household Warmth Fund for low-income energy assistance to various organizations. The awards provide immediate assistance for heating.

The Commission extended its consumer outreach efforts by attending 40 events throughout the State ranging from utility-sponsored Customer Assistance Days to fairs. The Commission continues to make its Commission meetings available via podcast, handling 14,565 consumer contacts, and assisting consumers and businesses with more than 9,031 electric and natural gas complaints and inquiries, 2,102 telecommunications complaints and inquiries, and 880 video/cable complaints and inquiries.

The Commission issued 743 orders, consisting of 227 telecommunications orders, 431 electric orders, 78 natural gas orders, and seven motor carrier orders, as well as issuing 22 minute actions.

Among the orders issued by the Commission during 2012 were approvals of applications to replace or construct and operate nine natural gas and liquid pipelines. Commission gas safety engineers performed inspections and investigated all jurisdictional incidents that met the US Department of Transportation requirements.

The Commission also revised the retail natural gas rates of Consumers Energy Company, and the retail electric rates of Consumers Energy Company, Indiana Michigan Power Company, and Wisconsin Electric Power Company.

The Commission's work in the telecommunications area included approving nine licenses for new telephone companies and revoking licenses for 17 companies that were grossly deficient in the statutory and regulatory responsibilities of licensed basic local exchange service providers. The Commission also approved 58 carriers as eligible telecommunications carriers to apply for federal Universal Service funding. Additionally, the Commission has had great success with the Connect Michigan program.

We continue to look forward to working with you on energy utility, telecommunications, motor carrier, and other matters to enhance services to and ensure adequate protection for Michigan residents and businesses.

Very truly yours,

John D. Quackenbush, Chairman  
Michigan Public Service Commission

Orjiakor N. Isiogu, Commissioner  
Michigan Public Service Commission

Greg R. White, Commissioner  
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# MICHIGAN PUBLIC SERVICE COMMISSION

## 2012 ANNUAL REPORT

John D. Quackenbush, Chairman  
Orjiakor N. Isiogu, Commissioner  
Greg R. White, Commissioner

**MICHIGAN PUBLIC SERVICE COMMISSION**  
Department of Licensing and Regulatory Affairs

March 4, 2013



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## **John D. Quackenbush, Chairman**

John D. Quackenbush was appointed by Governor Rick Snyder to serve as Chairman of the Michigan Public Service Commission on Sept. 15, 2011. His term ends July 2, 2017.

Prior to his appointment, Chairman Quackenbush worked for UBS Global Asset Management for 10 years, most recently as managing director and senior investment analyst responsible for equity research for the transportation, utilities and coal industries in the U.S. and Canada. He previously worked as manager of the Sprint Corporation Treasury department and Sprint Corporation Local Telecom Division. Before that, he served in several senior financial analyst roles with the Illinois Commerce Commission.

Chairman Quackenbush was named a Top Gun U.S. Industrials Investment Mind in 2011 by Brendan Wood International. He earned certification as a Chartered Financial Analyst (CFA) in 1993 and is a member of the CFA Institute and CFA Society of Chicago. He previously served as a board member of the Society of Utility and Regulatory Financial Analysts. He earned a bachelor's degree in business economics from Calvin College and a master of business administration degree with a concentration in finance from Michigan State University.

Chairman Quackenbush is a member of the National Association of Regulatory Utility Commissioners and serves on two of its committees: the Committee on Consumer Affairs and the Committee on Gas. Chairman Quackenbush is also a member of the Advisory Council for Utilities 2020.



## **Orjiakor N. Isiogu, Commissioner**

Orjiakor N. Isiogu was appointed by Governor Jennifer M. Granholm to the Michigan Public Service Commission (Commission) on September 9, 2007. His term ends July 2, 2013.

Mr. Isiogu served as Chairman of the Commission from the time of his appointment through October 2011. Commissioner Isiogu has over two decades of experience in public service and the regulation of public utilities and telecommunications services. Prior to his appointment, he served as the Director of the Telecommunications Division of the Commission. In this role, Mr. Isiogu oversaw the implementation of transformational state legislation as well as state and federal regulatory orders designed to facilitate increased competition in the telecommunications market. As Director of the Telecommunications Division, Mr. Isiogu advised the Commissioners in all activities relating to the regulation of basic local telephone services, emergency 9-1-1 service, telephone service for the speech and hearing impaired and all other state and federal regulatory requirements. In addition, Mr. Isiogu was responsible for the administration of the historic Michigan Children's Protection Registry Act and the Uniform Video Services Local Franchise Act.

Prior to serving as Director of the Telecommunications Division, Mr. Isiogu was an Assistant Attorney General in the Special Litigation Division of the Michigan Attorney General's office where he served since 1989. While at the Special Litigation Division, Mr. Isiogu advocated on behalf of the Attorney General before the Michigan Public Service Commission, the Federal Communications Commission, and federal and state trial and appellate courts. While at the Attorney General's office, Mr. Isiogu worked under three Attorneys General and served on the Litigation Advisory Board. As an Assistant Attorney General, Mr. Isiogu represented the state, its agencies as well as the consumer interests in state and federal proceedings involving utilities such as natural gas, electric and telecommunications.

Commissioner Isiogu has represented United States Energy Regulators at major international conferences in Africa and Europe. He is Co-Chair of the Smart Response Collaborative effort between the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC), and also served as Co-Chair of NARUC's White House Smart Grid Working Group. Mr. Isiogu is Co-Vice Chair of the NARUC Committee on Telecommunications and is a member of the International Relations Committee. Mr. Isiogu convened the Michigan Plug-In Vehicle Preparedness Taskforce in an effort to bring together the knowledge and expertise of a very diverse team of stakeholders to discuss and plan for the seamless customer experience and acceptance of Plug-In Electric Vehicles (PEV) in the state of Michigan. Commissioner Isiogu serves as a member of the Federal Communications Commission (FCC) Federal-State Joint Board on Jurisdictional Separations and the Board of Directors of the Organization of MISO States (OMS). Additionally, Commissioner Isiogu serves as Secretary of the Mid-America Regulatory Conference (MARC) and as Chair of the NARUC Presidential Task Force on Federalism and Telecommunications.

Mr. Isiogu earned his law degree from Wayne State University Law School, where he was Editor-in-Chief, Moot Court, and holds an undergraduate degree in political science from Wayne State University. He served as the Chair of the City of Lansing Ethics Board as well as a board member of the Lansing Educational Advancement Foundation. Mr. Isiogu is admitted to practice in all Michigan courts, Eastern and Western Division of Michigan Federal District Court and the United States Court of Appeals for the 6th Circuit.



## **Greg R. White, Commissioner**

Greg R. White was appointed by Governor Jennifer M. Granholm to serve on the Michigan Public Service Commission (MPSC) on December 4, 2009. His term ends July 2, 2015.

Prior to his appointment, Commissioner White served as the Legislative Liaison for the MPSC and as Liaison for the MPSC to the Michigan Department of Energy, Labor, & Economic Growth (DELEG). In this dual role, he represented the MPSC before the Michigan Legislature and the U.S. Congress on matters related primarily to energy, utilities, telecommunications, and the motor carrier industries, and also worked between the Executive Office of DELEG and its Bureau of Energy Systems and the MPSC on matters related to energy and energy utilities.

Previously, Commissioner White served as an Executive Assistant to MPSC Commissioner Robert B. Nelson and to Commissioner John C. Shea. He also served as Special Assistant to Commission Chairman John G. Strand, focusing primarily on nuclear issues. Prior to moving into the Commissioner's office, he served on the Commission's policy staff working on issues in all utility sectors, primarily managing congressional and federal relations for the Commission.

Commissioner White has spent the majority of his professional career in the areas of energy and telecommunications policy and has worked in the fields of electricity supply, nuclear issues, renewable energy development, and oil and gas development at the MPSC, the Michigan Energy Administration, and the Michigan Geological Survey. He also has held the position of Associate Director at the Institute of Public Utilities at Michigan State University.

Commissioner White has provided expert testimony on matters concerning energy supply, energy utilities, nuclear power, and telecommunications before the U.S. Congress, U.S. Nuclear Regulatory Commission, the U.S. Nuclear Waste Technical Review Board, and the Michigan Legislature.

Commissioner White is a member of the National Association of Regulatory Utility Commissioners and serves on several of its committees, including the Committee on Electricity, the Committee on Critical Infrastructure, and the Subcommittees on Nuclear Issues – Waste Disposal (Vice Chair) and Utility Marketplace Access. In addition, Commissioner White sits on the Board of Directors of the Organization of PJM States, Inc., as its Treasurer, and is a member of the Eastern Interconnection States Planning Council.

Mr. White holds a Bachelor of Science degree from Michigan State University and a master's degree of public administration from Grand Valley State University.

## Mission and Goals

The mission of the Michigan Public Service Commission is to grow Michigan's economy and enhance the quality of life of its communities by assuring safe and reliable energy, telecommunications, and transportation services at reasonable rates.

The goals of the Commission are to:

- Establish fair and reasonable rates for regulated services and adopt and administer fair terms and conditions of service for the state's utility customers.
- Assure adequate and reliable supplies of regulated services to all Michigan customers, and the safe and efficient production, distribution, and use of the state's energy, telecommunications, and transportation services.
- Assure the security of the state's critical infrastructure by promoting homeland security.
- Promote the State's economic growth and enhance the quality of life of its communities through adoption of new technologies like broadband, telecommunications, and efficient renewable energy resources.
- Provide customers with the opportunity to choose alternative electric, natural gas, telecommunications, and transportation providers.
- Provide regulatory oversight in a prudent and efficient manner while implementing legislative and constitutional requirements.

## Staff Organization

The Michigan Public Service Commission (MPSC) has a staff of 185, organized into nine Divisions: (1) Regulatory Affairs Division, which is primarily responsible for the drafting of Commission orders and administrative rules, and maintaining the Commission's files and official dockets; (2) Electric Reliability Division, which is primarily responsible for implementation of the state's Renewable and Energy Efficiency Act and evaluating certificate of necessity filings; (3) Financial Analysis & Audit Division (FAAD)<sup>1</sup>, which is primarily responsible for accounting and audit issues, reconciliations, financial statistics, annual reports, and administration of Michigan's gas and electric customer choice programs; (4) Management Services Division (MSD)<sup>2</sup>, which is primarily responsible for staff support to the Commission and for all activities related to administrative issues, energy grants, energy data and security, and budgetary issues; (5) Motor Carrier Division, which is primarily responsible for licensing and regulation of motor carriers and regulation of water ferries; (6) Operations & Wholesale Markets Division, which is primarily responsible for ensuring safe, adequate, and reliable energy supplies; (7) Regulated Energy Division, which is primarily responsible for electric, natural gas, and steam utility ratemaking functions; (8) Service Quality Division, which is primarily responsible for assisting utility customers, enforcement of Commission rules relating to customer service, and video franchise matters; and (9) Telecommunications Division, which is primarily responsible for all aspects of the Commission's authority related to telecommunications services.

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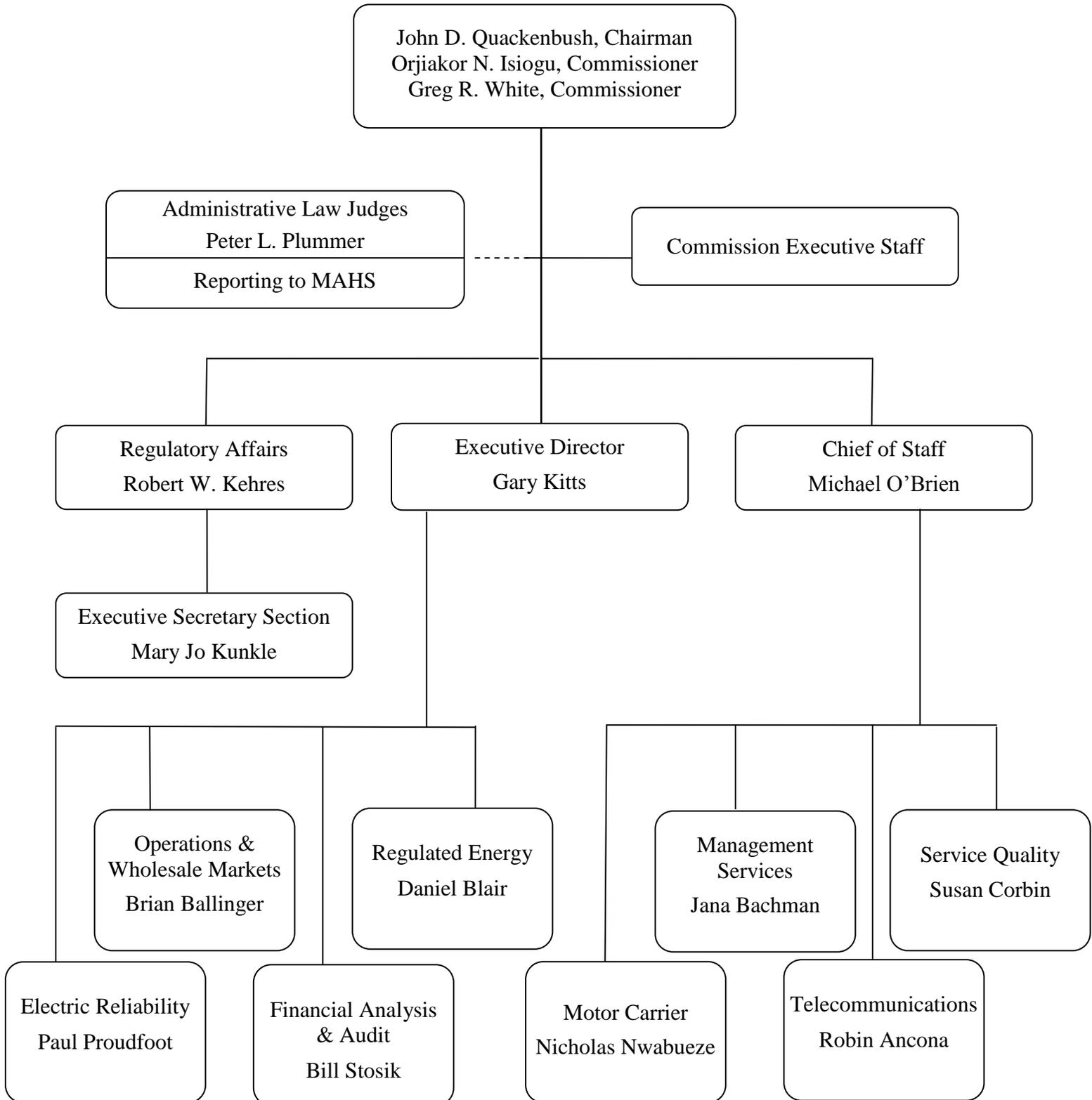
<sup>1</sup> FAAD was created in May 2012 by moving the Revenue Requirements, Act 304 Reconciliations, and Financial Analysis & Customer Choice Sections from the Regulated Energy Division to the newly created division. This is the first year the FAAD appears in the Commission's Annual Report.

<sup>2</sup> MSD was dissolved in February 2013. The Administration Section now reports directly to the Chief of Staff. The Energy Grants Section joined the Service Quality Division, and the Energy Data & Security Section joined the Operations & Wholesale Markets Division.

In addition to the Commission's nine Divisions, the Michigan Administrative Hearing System maintains an office of Administrative Law Judges, who conduct hearings on Commission cases.

The Commission performs functions that are common to state government. Every state in the nation has a similar agency that is responsible for utility regulation and other functions handled by the Public Service Commission. However, in Michigan, the Commission is relatively small compared to others. For example, the Michigan Commission has a staff of 18.8 per million population compared to the national (including Washington, DC) average of 26.7 and an average of 23.2 in other Great Lakes states.

# Organizational Chart



## **Introduction**

Section 5a of Public Act 33 of 1989, MCL 460.5a, requires the Michigan Public Service Commission to file an annual report with the Governor and the Legislature on or before the first Monday of March each year. The report is a summary of Commission activities and may include rules, opinions, and orders promulgated or entered by the Commission during the calendar year covered by the report, as well as any other noteworthy information that the Commission deems appropriate.

## **Regulatory Affairs Division**

### **Robert W. Kehres, Director**

The Regulatory Affairs Division provides the Commission with legal, technical, and research expertise, and other administrative duties performed by the Executive Secretary Section, including, maintaining the security of all official records, updating and maintaining the Commission's Legal Edge and E-Dockets case tracking systems, creating reports for staff and the Commission, serving formal complaints, preparing and issuing official notices of hearing and notices of opportunity to comment, providing appropriate access to records, distributing official Commission documents, coordinating court reporting functions, and responding to Freedom of Information Act (FOIA) requests pursuant to 1976 PA 442, MCL 15.231 *et seq.*

The Commission issued 743 orders in 2012, consisting of 227 telecommunications, 431 electric, 78 natural gas, and seven motor carrier orders. The Commission issued 22 minute actions, three of which pertained to motor carrier issues.

## **Mary Jo Kunkle, Executive Secretary**

### **Case Documents and Processing**

The Commission received and processed 7,410 official documents from applicants, complainants, respondents, intervenors, and other interested persons. This included documents resulting from 290 cases opened in 2012.

The Commission served 37 formal complaints upon regulated telecommunications, electric, and gas providers. It issued 145 notices of hearings and notices of opportunity to comment. The notices were distributed to parties, submitted for publishing where applicable, and posted to the Commission's website. The Commission coordinated publication of four notices of public hearings related to rulemaking proceedings.

Court reporters were scheduled for 343 Commission hearings.

The Commission notified more than 300 industry officials and interested persons electronically of Commission's Own Motion orders through an automated electronic notification system. Subscribers receive nearly immediate access to released Commission orders and allow the Commission to reduce its copying and distribution costs.

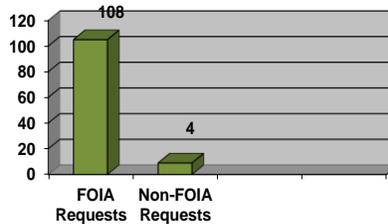
### **Paperless Electronic Filings**

The Commission received 199 requests for paperless cases and posted 7,098 filings from utility companies, intervenors, Commission Staff, administrative law judges, the Attorney General, ratepayers, and court reporters electronically filed to the E-Docket site. Parties to the cases, interested persons, and the general public have 24-hour access to all electronic case records via the Internet. A total of 2,261 paperless cases have been filed with the Commission since electronic case filings were implemented in September 2003.

### Information Requests

The Commission prepared a response to a subpoena by the United States District Court for the Eastern District of Michigan Sigma Capital Group, Inc., *et al* v Thermal Ventures, Inc., Carl Avers, as President and CEO of Thermal Ventures, Inc. *et al* involving 14 docketed cases. In addition, the Commission received 112 FOIA and non-FOIA requests as presented in the table below.

### 2012 Information Requests



### Michigan Public Service Commission Annual Report

On March 5, 2012, the Commission submitted its 2011 annual report to Governor Rick Snyder and the Michigan Legislature as required by MCL 460.5a. The report was submitted electronically to reduce copying and distribution costs.

## Electric Reliability Division

### Paul Proudfoot, Director

The Electric Reliability Division (ERD) is responsible for providing the Commission with technical assistance and recommendations on electric and gas providers' energy optimization and renewable energy plans, implementing net metering programs, managing Act 30 transmission siting cases, and reviewing Certificate of Necessity applications for construction of new electric generation. The ERD is also responsible for evaluating Energy Optimization (EO) and Renewable Energy (RE) reconciliation proceedings to ensure that regulated electric

and gas providers are meeting the targeted EO and RE goals set out in 2008 Public Act 295 (Act 295). The ERD is divided into four sections: Generation & Certificate of Need (G&CON), Smart Grid, Renewable Energy, and Energy Efficiency.

## **Generation & Certificate of Need**

On April 30, 2012, Indiana Michigan Power Company (I&M) applied to the Commission for a Certificate of Necessity under 2008 Public Act 286. The project encompasses an approximately \$1.2 billion “life cycle management” investment in the Donald C. Cook Nuclear Plant near Bridgman. To meet the statutory requirement of issuing an order within 270 days, the Commission issued an order in Case No. U-17026 in late January 2013.

On July 31, 2012, Michigan Electric Transmission Company, LLC (METC), a subsidiary of ITC Holdings Corporation, applied to the Commission for a Certificate of Public Convenience and Necessity under 1995 Public Act 30. The project called for approximately seven miles of double circuit 138 kilovolt (kV) transmission lines and a new substation in the greater Kalamazoo area. To meet the statutory deadline of issuing an order within one year of the application being filed, the Commission anticipates an order will be issued in Case No. U-17041 by the end of July 2013.

The G&CON staff is assisting in the review and analysis of Consumer Energy’s application in Case No. U-17087, focused on capital expenditures for environmental compliance work. Staff also continues to monitor the progress and implications of four Environmental Protection Agency (EPA) administrative rules and the associated regulatory requirements for Michigan’s regulated utilities, particularly as they relate to generation reliability and potential rate impacts on Michigan customers.

## Smart Grid

A continuing primary responsibility of the Smart Grid Section is to review and evaluate the reasonableness and prudence of utility proposals for smart grid projects. These projects can include advanced meters, dynamic rate structures, load control, and distribution system applications. The Smart Grid Section analyzed utility filings and provided testimony in six smart grid-related cases in 2012.

In 2009, the Commission was awarded the State Electric Regulators Assistance (SERA) Grant funded through the US Department of Energy which is administered by the Smart Grid Section. The grant enables staff to track smart grid projects by Michigan utilities in a database and provides resources to investigate numerous smart grid-related research and technical issues. A final report is required by September 30, 2013.

On June 29, 2012, staff submitted a comprehensive report in Case No. U-17000 summarizing the responses from Michigan's utilities regarding their smart grid progress and future smart grid deployment plans. The staff report also summarized responses submitted by members of the public. Staff conducted an analysis of current studies on advanced meters as well as a review of other states' policies on the installation of advanced meters, and provided recommendations to the Commission about on-going installation of smart grid infrastructure.

## Renewable Energy

Act 295 requires the Commission review electric providers' renewable energy plans every two years. Most providers filed plans in 2011 while in 2012 only five renewable energy plans were filed. Rate-regulated electric providers must file renewable energy plan reconciliation cases annually. Thirteen reconciliation cases covering the year 2011 were filed

during 2012. The [2012 Report on the Renewable Energy Standard](#) indicated that almost all providers are expected to meet the 10 percent standard in 2015.

The Commission approved seven renewable energy contract applications. Four were amendments to existing wind energy contracts. Two were new wind energy contracts for 210 megawatts (MW) which will be commercially operational by December 31, 2013. The remaining application was for the extension of The Detroit Edison Company's (Detroit Edison) customer-owned SolarCurrents Program that will support two MW of solar photovoltaic energy through 2015. These renewable energy contracts represent a portion of over 1,250 MW in contracts approved by the Commission since the passage of Act 295.

## **Energy Efficiency**

A total of 64 electric utilities, cooperatives, and municipal utilities have EO plans. In 2012, four EO plan amendments were filed. The [2012 Report on Energy Optimization](#) showed that overall utilities are exceeding the electric and gas energy savings targets. Twenty utilities have chosen to use the state administrator, Efficiency United, rather than run their own EO programs. Large customers may choose to implement a self-directed EO plan; in 2012, 45 customers did so.

The Energy Efficiency Section partnered with the State Energy Office to sponsor an Industrial Energy Conference which had broad participation from the industrial sector in Michigan. At this conference, Detroit Edison and Consumers Energy Company announced new deep savings pilots for commercial and industrial customers. The Energy Efficiency Section also partnered with American Council for an Energy Efficient Economy (ACEEE) and the National Housing Trust to hold a symposium addressing more effective ways to reach multi-family household units.

The Energy Optimization Collaborative, which is comprised of staff, utilities, and interested parties, worked to incorporate new and innovative EO program ideas to guarantee the success of EO programs in future years. The Energy Efficiency Section implemented changes to make compliance with the EO standard less burdensome for smaller utilities. The Energy Efficiency Section continued to track EO spending and savings from each utility throughout 2012.

## **Financial Analysis & Audit Division**

### **Bill Stosik, Director**

The Financial Analysis & Audit Division was established in 2012 and is responsible for accounting and audit issues, reconciliations, financial statistics, annual reports, and administration of Michigan's gas and electric customer choice programs. The Financial Analysis & Audit Division consists of three sections: Revenue Requirements, Act 304 Reconciliations, and Financial Analysis & Customer Choice.

### **Revenue Requirements**

Revenue Requirements is responsible for accounting and audit issues during general rate cases including the development of revenue requirements. This section is also responsible for the administration of the Uniform Systems of Accounts.

The Commission issued rate orders that approved rate changes for four utilities. The approved rate orders resulted in rate increases ranging from 2.00 percent to 5.88 percent, or an approximate monthly bill increase of \$1.72 to \$6.72 for residential customers. The following table provides a summary of the total amount requested and approved rate orders.

### Summary of Requested and Approved Amounts

Utility Name	Case Number	Requested Increase	Approved Increase
<b>Consumers Energy Company (Electric)</b>	U-16794	\$195.0 Million	\$118.5 Million
<b>Indiana Michigan Power Company</b>	U-16801	\$24.5 Million	\$14.6 Million
<b>Wisconsin Electric Power Co</b>	U-16830	\$17.5 Million	\$9.2 Million
<b>Consumers Energy Company (Gas)</b>	U-16855	\$49.3 Million	\$16.0 Million
<b>Michigan Consolidated Gas Company</b>	U-16999	\$76.7 Million	\$19.9 Million
<i>Approved Rate Orders - Total</i>		\$363 Million	\$178.2 Million
<i>In Process - Total</i>		\$201 Million	n/a

\*Information in the table above reflects Commission action concluded by 12/31/2012.

### Act 304 Reconciliations

Act 304 Reconciliations is responsible for Gas Cost Recovery (GCR) and Power Supply Cost Recovery (PSCR) reconciliations. In addition, this section is responsible for the times interest earned ratio (TIER) cases, self-implementation refunds, decoupling mechanisms and uncollectible expense true-up mechanism (UETM) cases. Act 304 Reconciliations had 18 cases that were opened in 2011 and carried over into 2012. Of these, two PSCR Reconciliation cases remain open at year-end 2012. Two electric cooperatives became member regulated during 2012.

During 2012, the Commission opened 34 cases that were assigned to Act 304 Reconciliations. The cases were broken out as follows:

Case Type	Opened	Closed	Remain Open	Requested Amount
<b>GCR</b>	7	1	6	\$9,197,916
<b>PSCR</b>	8	5	3	\$141,484,782
<b>TIER (Gas)</b>	1	1	0	\$307,994
<b>TIER (Electric)</b>	5	5	0	\$1,581,193
<b>Self-Implementation</b>	2	0	2	\$(1,510,000)
<b>Revenue Decoupling</b>	4	2	2	\$26,142,999
<b>SCR</b>	1	0	1	\$365,466
<b>Miscellaneous</b>	6	3	3	\$116,972,040
<i>Total Requested Amount</i>				\$294,542,390

## **Financial Analysis & Customer Choice**

Financial Analysis & Customer Choice is responsible for cost of capital, capital structure, return on equity, and mergers and acquisitions. This section also administers the maintenance of annual reports and public utility assessments on an annual basis. Additionally, Financial Analysis & Customer Choice is responsible for the administration of Michigan's gas and electric customer choice programs and licensing of alternative suppliers.

The Commission issued two orders related to lawsuits against the US Department of Energy (DOE) for delay in disposing of spent nuclear fuel at a federal repository. Consumers Energy entered into a settlement agreement with the DOE in July 2012 and the Commission issued an order with respect to that settlement in December 2012. In June 2012, the Commission issued an order with respect to Northern States Power Company's settlement with the DOE.

On May 24, 2012, the Commission approved a settlement agreement for the acquisition of SEMCO Holding Corporation by AltaGas Ltd. in Case No. U-16969.

### **Electric Customer Choice**

During 2012, customers began taking choice service in both Indiana Michigan Power Company and Upper Peninsula Power Company territories.

The number of electric choice customers decreased by 180 in 2012 compared to 2011. A total of 6,862 customers were in service statewide as of December 2012. Statewide, alternative electric suppliers (AES) served a total of 2,014 megawatts (MW) in 2012, which is an increase of 30 MW from 2011.

The Commission issued three new AES licenses to Energy Services Providers, Inc. d/b/a Michigan Gas & Electric, Lakeshore Energy Services, LLC, and Texas Retail Energy, LLC.

## **Natural Gas Customer Choice**

The number of customers participating in natural gas choice throughout the state increased to 551,534 in 2012, an increase of 64,438 customers compared to 2011. Alternative gas suppliers (AGS) served roughly 92.8 billion cubic feet (Bcf) of annualized natural gas sales in 2012. This is an increase of 0.7 Bcf compared to 2011.

The Commission rescinded one AGS license that was issued to Universal Gas & Electric, at the request of the company. The Commission also issued four new AGS licenses to Ardent Natural Gas, LLC, Dillon Energy Services, Inc., Smart One Energy, and DTE Energy Trading d/b/a DTE Gas Supply.

## **Management Services Division**

### **Jana A. Bachman, Director**

During 2012, the Management Services Division (MSD)<sup>3</sup> was responsible for Staff support to the Commission and for all activities related to administrative issues, energy grants, energy data and security, energy and utility forecasts, tracking the adequacy of the state's energy supply, research, homeland security, and critical infrastructure protection, as well as website operations and applications. MSD is in charge of matters related to personnel, labor relations, training, budget, purchasing, building maintenance, and technical support.

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<sup>3</sup> MSD was dissolved in February 2013. The Administration Section now reports directly to the Chief of Staff. The Energy Grants Section joined the Service Quality Division, and the Energy Data & Security Section joined the Operations & Wholesale Markets Division.

## Energy Grants

### Low-Income Energy Assistance Grants

Public Act 200 of 2012 appropriated \$59,900,000 on a one-time basis to the Michigan Department of Human Services (DHS) for the provision of state emergency relief energy services. DHS entered into an Interagency Agreement with the Department of Licensing and Regulatory Affairs (DLARA) for the purpose of having the Commission administer a grant process for approximately \$27,700,000 on behalf of DHS using procedures previously used for similar grants for low-income energy assistance.

On October 1, 2012, the Commission requested proposals from non-profit and public organizations for Low-Income Energy Assistance Grants to provide energy assistance to low-income customers confronted with shut-off and maintain or develop preventative programs to reduce the number of customers experiencing energy shut-off throughout the State of Michigan. Nine proposals were submitted by the October 15, 2012 deadline.

On October 29, 2012, the Commission approved Low-Income Energy Assistance Grants totaling \$27,647,804. Outlined in the Request for Proposal (RFP) and upon receipt of the signed Grant Agreement each of the following grant recipients received their first advance by December 27, 2012:

<b>Organization</b>	<b>Total Amount Approved</b>
Barry County United Way	115,400
Downriver Community Conference	1,000,000
Inter-Tribal Council of Michigan, Inc.	150,160
Lighthouse Emergency Services	300,000
Michigan Community Action Agency Association	3,500,000
The Society of St. Vincent de Paul of the Archdiocese of Detroit	1,500,000
The Heat and Warmth Fund	6,291,122
The Heat and Warmth Fund	2,000,000
The Salvation Army	6,791,122
TrueNorth Community Services	6,000,000
	<b>\$27,647,804</b>

## **Energy Data & Security**

Pursuant to 1982 Public Act 191, the Energy Data & Security (EDS) Section staff monitors the state’s overall energy supply as part of its responsibility for Michigan’s energy emergency preparedness. Staff continued to work on the Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency project, a grant administered by the US Department of Energy (DOE). A grant extension was requested and granted through August 2013.

### **Energy Emergency Preparedness**

As part of its energy emergency preparedness responsibilities, the EDS staff again participated in a number of emergency exercises involving disaster response, nuclear plant drills, and cyber security. In addition to these drills and actual situational awareness updates, staff responded to a declared energy emergency during summer 2012 involving gasoline. Staff monitored the situation, assessed energy market conditions, maintained contact with the

petroleum industry, and provided updates to the Commissioners, the DOE, LARA Emergency Management Coordinator, and the Michigan State Police (MSP), as needed.

### **Threat, Hazard and Risk Analysis**

In support of a new federal requirement that all states complete a Threat and Hazard Identification and Risk Assessment, staff completed, in support of the MSP Emergency Management and Homeland Security Division, an analysis of risks associated with a prolonged power outage resulting from a cyber-attack on the control systems supporting the state's electrical transmission system. The analysis focused on the cascading negative consequences involving critical infrastructure (e.g. hospitals, water systems, banking, etc.) dependent upon electrical power and the capabilities the state would need to address those consequences.

### **Local Energy Assurance Planning**

EDS staff developed and hosted two statewide conferences (Gaylord and Lansing) to discuss the importance of energy emergency preparedness and encourage the development of local and/or regional energy assurance plans. Energy assurance planning involves private and public sectors' collaboration on how best to maintain the resiliency of the state's energy systems (electricity, natural gas, and petroleum products). As a follow-up, staff is developing regional workgroup sessions to facilitate the creation of these plans with plans to launch outreach efforts in spring 2013.

### **Energy Monitoring**

The Commission issues a short-term energy forecast of supply and demand each spring and fall. The semi-annual Energy Appraisal report focuses on factors and market trends that impact price, supply, and availability. During the winter months, the Commission conducts a **weekly survey** of residential heating oil and propane prices. Although the Commission does not

regulate heating oil and propane prices, it does monitor these energy markets under a grant from the Energy Information Administration as part of its duties to monitor the state's overall energy supply. During 2012, Michigan State University provided training sessions to PSC economists to improve and enhance their forecasting abilities and improve the models used in the Energy Appraisal report.

## **Motor Carrier Division**

### **Dr. Nicholas I. Nwabueze, Director**

The Motor Carrier Division (MCD) is responsible for technical and administrative support to the Commission in the area of motor carrier regulation, as well as support duties prescribed by the Carriers by Water Act. The division is comprised of two sections: Credentials & Customer Service Section and Regulation, Safety, & Compliance Section.

### **Motor Carrier Regulation**

#### **Applications for Intrastate Authority**

Motor carriers operating solely in intrastate commerce and those operating in interstate commerce while also conducting intrastate commerce are required to obtain operating authority from the Commission. In 2012, the MCD received 535 applications for original operating authority. In addition, 12 applications for transfer to new ownership, 20 changes of operating name, 21 temporary and 31 permanent discontinuances of authority, and 10 reinstatements of authority from discontinuance were processed. The MCD also granted 466 requests for temporary operating authority.

The 2013 annual renewal of active and temporarily discontinued intrastate operating authorities was initiated in October 2012 with the mailing of renewal forms to 2,269 accounts.

As of December 31, 2012, more than 5,300 Commission decals were issued to vehicles within these accounts.

### **Insurance Filings**

Each motor carrier applying for intrastate authority is required to submit proof of commercial public liability/property damage (PL/PD) insurance. Over 2,100 PL/PD endorsements were received and processed in 2012.

### **Decals**

Intrastate carriers are required to register power units that are utilized in their authorized operations. Intrastate decal sales to these intrastate carriers generated \$624,036 in 2012.

### **Safety and Compliance**

Applicants for intrastate authority must demonstrate knowledge of and compliance with state and federal motor carrier safety regulations. The MCD reviewed 696 applications for compliance with safety regulations, dismissing 77 applicants for failure to prove compliance.

### **Household Goods Carriers Regulation**

Household goods carriers are required to file and maintain tariffs with the Commission. In 2012, 28 amendments and additions to tariff filings were submitted for Commission approval. In addition, application packets were mailed to 49 carriers suspected of operating without authority. Thirty-seven new applications for household goods authority were received and processed. Twelve carriers were referred for investigation to the Michigan State Police (MSP) Commercial Vehicle Enforcement Division (CVED).

### **Unified Carrier Registration Program**

Michigan is a member state of the Unified Carrier Registration (UCR) program. There are 41 member states that participate in the Unified Carrier Registration program. MCD staff

activities include the annual registration of motor carriers, as well as participation in scheduled UCR Board conference calls. In October 2012, more than 22,000 2013 UCR renewal notices and application forms were mailed to private, for hire, and exempt carriers operating in interstate commerce, as well as interstate brokers, freight forwarders, and leasing companies in both Michigan and the Province of Ontario. In 2012, Michigan collected or received a total of \$6,837,363 from the UCR program. These funds, by federal law, are required to be used for motor carrier safety programs, enforcement, or the administration of the UCR plan and agreement. A majority of the UCR revenues collected by the Commission are transferred to fund enforcement operations of the MSP CVED and to provide money to the Truck Safety Fund.

### **Intrastate US Department of Transportation Numbering Program**

As of June 1, 2009, the MCD began issuing US Department of Transportation (USDOT) numbers for intrastate carriers for vehicles with over 10,000 pounds Gross Vehicle Weight Rating. In 2012, the MCD answered 3,826 calls and issued 737 USDOT numbers.

## **Operations & Wholesale Markets Division**

### **Brian Ballinger, Director**

The Operations & Wholesale Markets Division (OWMD) is comprised of three sections and provides the Commission with technical assistance and recommendations on electric and natural gas services and issues necessary to ensure that the regulated utility companies provide their electric and natural gas customers with quality energy service in a safe, reliable, and efficient manner. OWMD is divided into three sections: Electric Operations, Gas Operations, and Energy Markets. The following chart highlights Commission orders issued from cases originated in OWMD in 2012.

<b>MPSC Orders - OWMD 2012</b>	
Gas Pipeline Construction Requests (Act 9)	8
Natural Gas Production (Act 9)	1
Hazardous Liquid Pipeline Construction Requests (Act 16)	5
Pipeline Safety (Act 165)	3
Meter Testing for Electric	2
Electric Operations – Administrative Rules 460.3411 & Rule 460.2705(1) cases	4
<b>Total</b>	<b>23</b>

## **Electric Operations**

The Electric Operations Section is responsible for monitoring the performance of electric utilities in providing safe, reliable, and good quality power service to jurisdictional electric utility customers through the service quality and reliability standards for electric distribution systems per Administrative Rule 460.701. The Electric Operations Section administers rules regarding services supplied by electric utilities to Michigan customers such as: underground electric lines, extension of electric service, electric distribution reliability standards and service quality, enforcement of the National Electrical Safety Code, pole attachments, electric customer complaints, and animal stray voltage contacts. Electric utility companies are required to file an annual report on service quality and reliability standards in Case No. U-12270 per Administrative Rules R 460.701 through 460.752. Annual power quality and reliability reports are filed by Consumers Energy Company (Consumers Energy) in Case No. U-16066 and by The Detroit Edison Company (Detroit Edison) in Case No. U-16065.

In 2012, the Commission continued to closely monitor the abilities of all regulated electric utilities, alternative electric suppliers, utility affiliates, and certain power supply cooperatives and associates to meet their customers' electric requirements. In addition, Consumers Energy and Detroit Edison generation capacity and customer demand were

specifically monitored during the summer period. It is critical that power supplies are sufficient to meet customer demands during the hot summer months. Record high temperatures and Michigan's recovering economy pushed customers' demand for electricity to record levels in 2012. Michigan's utility companies were well prepared to meet the high power demand from their customers. All electric utilities are required to file 2013 electric supply assessment reliability plans in Case No. U-17178.

Midwest Independent Transmission System Operator, Inc. (MISO) is the regional transmission organization (RTO) that is the reliability coordinator and operator of the bulk power transmission system for the majority of Michigan and is responsible for determining, declaring, and communicating when a capacity emergency is forecasted, occurring, or has ended in MISO's Market Area, and for providing direction to Local Balancing Authority, Transmission Operators, Generator Operators, and Market Participants to manage capacity emergencies. OWMD staff closely monitors MISO's system operational status, which may impact Michigan's utility stakeholders.

## **Gas Operations**

The Gas Operations Section maintains responsibility for monitoring the distribution, production, transmission, and underground storage of natural gas in the state of Michigan; review of applications for certificates of need and necessity; and performing gas pipeline safety inspections for all gas jurisdictional pipeline operators for both interstate and intrastate pipelines, per requirements of Michigan Gas Safety Standards, Public Act 165 of 1969 (PA 165), and US Department of Transportation (USDOT) requirements under Title 49 of the United States Code, Part 192. The Gas Operations Section Pipeline Safety Program works as a liaison with the

federal pipeline safety officials to enforce gas safety standards and performs gas safety inspections.

Gas Safety engineers inspected all jurisdictional pipeline operators, as required, for compliance with the Michigan Gas Safety Standards, thus meeting the requirements of PA 165 and the USDOT. The Commission also investigated all jurisdictional incidents that met the USDOT requirements. The pipeline safety program maintained its federal certification following receipt of a favorable review by the USDOT in 2012.

Staff in the Gas Operations Section is responsible for reviewing applications for Certificate of Public Convenience and Necessity for franchises (Public Act 69 of 1929), construction of natural gas pipelines (Public Act 9 of 1929), construction of hazardous liquids pipelines (Public Act 16 of 1929), and natural gas storage fields (Public Act 238 of 1923). The Section also issues standard well connection permits and tracks monthly natural gas production volumes.

## **Energy Markets**

The Energy Markets Section has responsibility for all federal and regional electric and natural gas dockets, and technical and policy issues involving the state of Michigan and the Commission in federal agency proceedings and regional stakeholder processes. The price and reliability of Michigan's electric and natural gas supply are significantly affected by federal and regional decisions. In Michigan, nearly all electric transmission lines and interstate gas pipelines are regulated by the Federal Energy Regulatory Commission (FERC), which determines rates, conditions of service, reliability of supply, and, in the case of interstate gas pipelines, siting. Approximately 80 percent of Michigan's natural gas supply arrives from outside of Michigan via FERC-regulated interstate pipelines. After the FERC prompted the creation of independent

RTOs, the RTOs now manage the electric transmission system and dispatch of most generators in Michigan under FERC-approved tariffs and procedures. Most Michigan electric utility customers are served by entities that are members in MISO. The RTO for a small portion of southwest Michigan, served by Indiana Michigan Power Company (I&M), is PJM Interconnection (PJM). These two RTOs administer wholesale markets, manage reliability, and conduct regional planning for both electric transmission and planning reserve resource requirements.

The Energy Markets Section is involved in national and regional electric and natural gas supply and interstate transportation issues, such as the transmission rates and terms of service determined by tariff and compliance filings before the US Department of Energy (DOE), the FERC, and other federal agency or court proceedings. The Section actively participates and provides staff leadership in work groups involving MISO and PJM and the parallel regional state committees on national and regional electricity issues. They also provide technical staff support for Commissioners' involvement in national and regional forums.

In addition to its own orders, the Commission speaks through its comments, interventions, and positions in FERC and related judicial and agency proceedings. It also coordinates regulatory oversight and formulates policy in the working group and Board of Director processes of the MISO, the Organization of Midwest ISO States (OMS), PJM, and the Organization of PJM States, Inc. (OPSI). OMS and OPSI are regional state committees made up of all the state commissions in their respective RTOs. The Energy Markets Section provides administrative support and technical expertise to the Commission on these matters.

The Energy Markets Section also assists Commissioners in their ongoing roles as members and officers of regional state committees. In 2012, Commissioner Orjiakor N. Isiogu

was an OMS Board of Directors Member and will serve as the OMS Executive Committee At Large Member in 2013. Commissioner Greg R. White was an OPSI Board of Directors Member and served as President in 2012. In 2013, Commissioner White will serve as the Treasurer of OPSI. He will also continue to be a member of the OPSI Advisory Committee.

## **Regulated Energy Division**

### **Daniel Blair, Director**

The Regulated Energy Division (RED) provides the Commission with technical assistance and recommendations to ensure that regulated electric, gas, and steam service are provided in a safe, reliable, and efficient manner at reasonable and prudent prices for Michigan's citizens and businesses. RED is the lead division on Gas Cost Recovery (GCR) plan cases, Power Supply Cost Recovery (PSCR) plan cases, Steam Supply Cost Recovery (SSCR) plan cases, depreciation cases, Act 9 intrastate pipeline rate cases, gas storage rate cases and special contract cases. RED also provides engineering and technical assistance on other cases, as well as maintaining utility tariff books. RED is comprised of two sections: Act 304 and Sales Forecasting, and Rates and Tariffs.

### **Act 304 and Sales Forecasting**

#### **Act 304 Cases**

During 2012, the Commission opened 11 PSCR plan cases and seven GCR plan cases, and issued 13 PSCR plan case orders and seven GCR plan case orders. There were three fewer PSCR plan cases in 2012 as compared to 2011 because three electric cooperatives were approved by the Commission to become member regulated pursuant to Public Act 167 of 2008. The cooperatives that were approved to become member-regulated in 2012 were: Ontonagon County Rural Electrification Association, Presque Isle Electric and Gas Co-op, and Great Lakes Energy

Cooperative in Case Nos. U-17069, U-17016, and U-16944, respectively. The Act 304 and Sales Forecasting Section continues to participate in all GCR and PSCR reconciliation cases; however, the Financial Analysis and Audit Division (FAAD) has the lead in reconciliation cases.

### **Steam Cases**

The Commission opened one SSCR plan case and issued one SSCR order in 2012 for Detroit Thermal, LLC, pursuant to MCL 460.6r. The Act 304 Section participates in SSCR reconciliation cases similar to GCR and PSCR reconciliation cases. The Commission also issued four orders approving steam sale contracts in 2012.

### **Depreciation Cases**

The Act 304 Section also has the lead role in most depreciation cases. The Commission issued two gas depreciation orders, Case No. U-16938 involving Consumers Energy Company and Case No. U-16849 involving SEMCO Energy Gas Company, with both cases having been settled. Three other depreciation cases, two gas cases (Case No. U-17104 involving Michigan Gas Utilities; Case No. U-16769 involving Michigan Consolidated) and one electric case (Case No. U-16991 for Consumers Energy Company), were being conducted in 2012 and are still pending.

### **Other Cases and Duties**

The Act 304 Section provides engineering and technical support in gas and electric rate cases reviewing production and distribution capital expenditures and O&M expenses, as well as utility sales forecasts. The Act 304 Section participates in other cases as appropriate and necessary.

## **Rates and Tariffs**

### **Electric and Gas Special Contracts, ACT 9 Intrastate Pipeline Rates, and Gas Storage Rates**

The Rates and Tariffs Section has primary responsibility over special contracts for natural gas and electric service, Act 9 pipeline rates, and natural gas storage rates. The Commission approved three new or amended special contracts for electric service, and one for natural gas service. In addition, one application for approval of a special contract for electric service is pending. The Commission approved revisions to one natural gas storage company's tariffs. There were no cases involving Act 9 pipeline rates in 2012.

### **Energy Tariff Amendments and Administration**

The Commission processed 366 electric and 184 natural gas tariff sheet filings in 2012, utilizing its electronic tariff processing system implemented in 2004. Utility tariffs are available to the public in the utility rate books located on the Commission's website, each utility website, and in hardcopy at the Commission office.

### **Other Cases and Duties**

The Rates and Tariffs Section provides cost of service studies, rate design, tariff proposals, and various other inputs for all electric and natural gas rate cases. In addition, certain complaint cases fall under the purview of the Rates and Tariffs section. Currently, there are two such cases pending relating to alleged overcharges by regulated utilities. The Rates and Tariffs Section had primary responsibility in Case No. U-17032, which involved Indiana Michigan Power Company's application for approval of a mechanism by which Alternative Electric Suppliers would compensate the utility for capacity. An order approving such a mechanism was issued September 25, 2012. The Rates and Tariffs Section also provides technical support

regarding rate calculations and tariffs on numerous cases, including decoupling reconciliations, various tracker reconciliations, and self-implementation refunds and reconciliations.

## **Service Quality Division**

### **Susan Corbin, Director**

The Service Quality Division (SQD) is responsible for assisting and educating Michigan citizens with electric, natural gas, telecommunications, and video/cable inquiries and complaints. The division engages customers via many mediums, including phone, website, and face-to-face outreach events. The division also receives referrals from customers who have contacted the Governor, Legislature, Attorney General, and other state agencies.

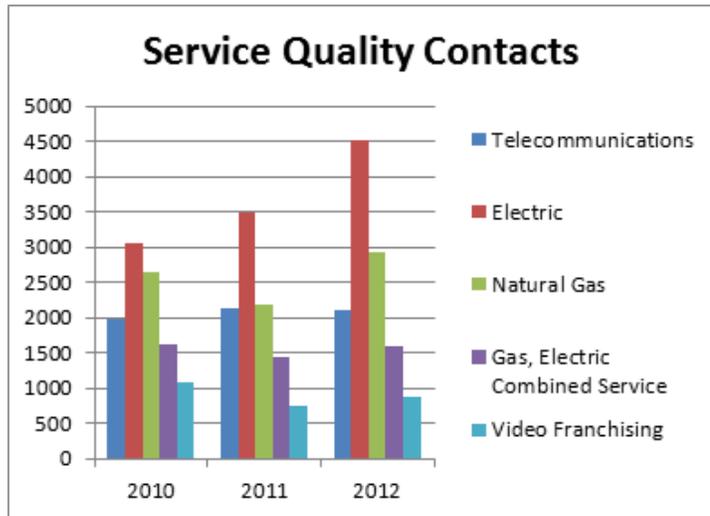
The SQD is comprised of two sections: Customer Support (Call Center) and Service Quality.

### **Customer Service Focus**

When contacting the SQD by phone, a customer is prompted to select the appropriate industry of concern, and calls are answered live by a representative. A customer record is created for each contact. These records allow staff to track the history and progress of each customer contact to completion, ensuring it has been resolved.

During 2012, 14,565 new contacts were created, which was a 44 percent increase compared to the total number of contacts received in 2011 (10,095). Of those, 67 percent were received through the call center, 19 percent through the website, and the remaining 14 percent came from other sources (direct staff contact, outside referrals, mail, and fax). Much of this increase is due to the revised call center documentation policy, in which every call is now recorded as a contact. In prior years, some initial inquiries were addressed by staff and not recorded.

Customers who remain dissatisfied with initial attempts to resolve their complaints have the option to request a formal hearing before an Administrative Law Judge. In 2012, SQD handled 36 formal complaint cases, 24 of which are closed and 12 are currently pending resolution. The vast majority of customer contacts (99.8 percent) were resolved prior to a formal hearing.



## Energy

Energy Regulation Officers in the Service Quality Section handled 9,031 elevated complaints and inquiries, an increase of 27 percent from last year. Both electric and natural gas contacts have increased.

Frequent outage concerns remained the top contact category. Staff has actively worked with affected communities and utilities to address this critical issue, and outage contacts have declined 10 percent since 2011. Other customer concerns included: rates being too high, billing miscellaneous, responsibility for bill, natural gas choice, and installation of advanced metering infrastructure (AMI).

There has been a substantial increase (106 percent) in the number of alternative gas supplier (AGS) complaints/inquiries since 2011. Much of this increase is due to the call center focus on documentation in 2012. Also, customer participation in the gas choice program is at an all-time high with 551,534 customers participating statewide.

## **Telecommunications**

As customers migrate from landline telephones to wireless and Voice over Internet Protocol (VoIP) services, telecommunications complaints experienced a slight decrease in 2012, with 2,102 contacts. Top telecommunications customer concerns included: billing errors, repair problems, cellular phones, cramming, service complaints, and local number porting.

For a second year, local rural carriers are expressing concern about long distance service quality problems and “least cost routing” in which a customer’s long distance phone call is routed through an outbound provider based on cost. The Telecommunications Division, SQD, and the Telecommunications Association of Michigan have worked to promote this important rural carrier issue to the Federal Communications Commission (FCC). The FCC’s Rural Call Completion Task Force, established in 2011, is currently investigating this matter.

## **Uniform Video Services Local Franchise Act**

The video franchising section experienced a 16 percent increase in 2012 (880 contacts). SQD handled concerns including: billing, customer service, cable line issues, service outages, and equipment service problems. Pursuant to Public Act 480 of 2006, the Commission annually submits a separate and more in-depth report to the Governor and Legislature on February 1 regarding the status of competition for video services in Michigan. The report is available on the Commission website ([michigan.gov/mpsc](http://michigan.gov/mpsc)).

## Consumer Outreach

Through 2011, the Commission has been hosting annual Consumer Forums, typically in six or seven locations around the state, as the primary form of communicating with citizens about issues before the Commission and important consumer tips. Attendance at these events has been on the decline, so in 2012, the SQD developed a new communications plan and began implementation in May. The plan included a key constituent outreach component, enhancing existing partnerships with traditional utility stakeholders, as well as targeting specific citizen population groups to disseminate consumer education materials. Since May, staff from the Commission attended 40 events throughout the state of Michigan ranging from utility-sponsored Customer Assistance Days in Southeast Michigan to the Upper Peninsula State Fair in Escanaba and Project Homeless Connect events in Bad Axe, Bay City, and Van Buren Township. Staff estimates that through these activities, over 4,500 Michigan citizens were provided with Consumer Tips or had questions answered about electric, natural gas, telecommunications, and video/cable matters.

SQD also engaged the senior citizen population, creating a specific Consumer Tip with important utility programs and protections for senior citizens and strengthening ties with Area Agencies on Aging around the State. Staff attended many senior events including: Older Michiganians Day on the Capitol Lawn, Senior Day at the Ionia and Genesee County Fairs and the Upper Peninsula State Fair, and a Wayne County Youth and Senior Day in Detroit.

In addition to its presence at traditional outreach events, the SQD distributes relevant and timely consumer education tips via press release, social media, and email. Consumer tips are posted via the Department of Licensing and Regulatory Affairs Facebook and Twitter pages.

The outreach plan has almost doubled (787 to 1,567 people) the SQD email listserv subscribership.

## **Telecommunications Division**

### **Robin P. Ancona, Director**

The Telecommunications Division is responsible for providing the Commission with technical assistance and policy recommendations on telecommunications issues impacting Michigan and its citizens. The division fulfills its responsibilities by supporting the Commission in all activities relating to the regulation of basic local telephone service, Emergency 9-1-1 service, telephone service for the speech and hearing impaired, provider-to-provider interconnection issues and complaints, Universal Service Fund requirements, administration of the Access Restructuring Mechanism fund, and all other state regulatory requirements as defined by the Michigan Telecommunications Act (MTA), Public Act 179 of 1991, and the federal Telecommunications Act of 1996. In addition, the division is responsible for administering the Metropolitan Extension Telecommunications Rights-of-Way Oversight (METRO) Act, Public Act 48 of 2002 (Act 48). The Telecommunications Division is comprised of four sections: Licensing & Competitive Issues, Operations & Tariffs, Rates & Financial Analysis, and Access Restructuring Fund Administration.

### **Local Telephone Competition**

The Commission granted licenses, or approved amendments to existing licenses, for nine telephone companies in 2012. The Commission also concluded a formal proceeding in Case No. U-16895 to revoke the licenses of 17 companies that were grossly deficient in attending to the statutory and regulatory responsibilities of licensed basic local exchange service providers.

At the end of the year, 171 competitive local exchange carriers (CLECs) were licensed to provide telecommunications services in Michigan.

### **Arbitration Cases**

On October 24, 2011, several CLECs known as the “CLEC 10” petitioned the Commission for arbitration of interconnection rates, terms, conditions, and related arrangements with AT&T Michigan in Case No. U-16906. The arbitration was very complex and included 42 issues that the CLECs were requesting be resolved. This arbitration case lasted throughout the majority of 2012, and the Commission issued its final order on July 30, 2012.

### **Intrastate Telecommunications Service Providers Registration**

The Commission requires that all telecommunications companies doing business within Michigan register with the Commission. Section 211a of the MTA requires providers of telecommunications services using new or emerging technology, such as Voice over Internet Protocol, to register with the Commission. At the end of 2012, there were approximately 527 companies registered with the Intrastate Telecommunications Service Provider Registration. This number has increased over the past year.

### **Abbreviated Dialing Number 2-1-1 and 9-1-1 Programs**

Currently, the entire Upper Peninsula and 61 Lower Peninsula counties are served by 2-1-1 call centers. In 2012, applications were approved for Alcona, Alpena, Arenac, Bay, Charlevoix, Crawford, Emmet, Huron, Montmorency, Oscoda, Otsego, Presque Isle, Roscommon, Saginaw, and Tuscola counties. On March 8, 2012, in Case No. U-14725, the Commission determined that Michigan 2-1-1, Inc. should continue to serve as Michigan’s statewide 2-1-1 coordinating agency until March 31, 2015.

Under Public Acts 164 and 165 of 2007, the Commission is authorized to promulgate rules governing areas of 9-1-1 administration, including the requirements for training standards for Public Safety Answering Point (PSAP) personnel. The Commission issued an order in Case No. U-16413 approving rules requiring training standards for PSAP personnel on December 6, 2012. The Emergency 9-1-1 Service Standards of Training rules became effective December 13, 2012 upon filing with the Office of the Great Seal.

### **Universal Service Fund Requirements**

In 2012, the Commission approved eight new carrier applications to become Eligible Telecommunications Carriers (ETC). In total, the Commission approved the continued ETC designation for 58 wire line and wireless carriers to be eligible for federal Universal Service Fund (USF) support in 2013 pursuant to the process set forth by the federal government and adopted by the Commission.

Due to federal USF reform in 2012, the Commission issued orders in Case Nos. U-17019 (April 17, 2012) and U-17182 (December 20, 2012). These cases, respectively, specified the impacts of the federal USF reform on: (1) Michigan's Lifeline program and (2) the Commission's provider requirements for ETC designation and ETC recertification.

### **Telecommunications Relay Service Reporting**

In accordance with federal law, the Commission filed Michigan's Telecommunications Relay Service (TRS) recertification application with the FCC on September 27, 2012. The FCC will advise the Commission whether the application has been approved by mid-2013.

### **METRO Issues/Rights-of-Way**

Public Act 48 of 2002 (PA 48) is designed to stimulate the availability of affordable high-speed Internet access by simplifying the permit process and standardizing fees for local rights-of-

way access. The Commission approved METRO tax credits for 69 providers in 2012.

In compliance with PA 48, the Commission issued its Annual Permit Activity Report for 2012, and has issued these reports since 2003. This information is posted on the Commission's website. The Commission processed 124 notices of permit applications from municipalities in 2012. All of the notices received this year were for approved permits and the majority of them were unilateral.

### **Broadband Mapping and Planning: Connect Michigan**

The National Telecommunications and Information Administration awarded Connect Michigan funding to implement broadband mapping and planning initiatives over a five-year period. Connect Michigan is a public-private partnership between the Commission and Connected Nation, a national leader in broadband mapping, to expand broadband availability, adoption, and use throughout Michigan. In addition to continually updating Michigan's interactive broadband availability map, Connect Michigan is also working with numerous communities across the state through the Connected Community certification program. In August, Charlevoix County was presented with the first 'Connected' certified award in the nation. Additional information about Connect Michigan's efforts is available on the Connect Michigan website, [www.connectmi.org](http://www.connectmi.org), as well as the Commission's website at [www.michigan.gov/broadbandmapping](http://www.michigan.gov/broadbandmapping).

### **MAHS Administrative Law Judges**

#### **Peter L. Plummer, Administrative Law Manager**

Effective April 25, 2011, the Michigan Administrative Hearings System (MAHS) was created by Executive Order No. 2011-4 to provide services related to the administrative hearing functions for departments or agencies, including the Commission. MAHS Administrative Law

Judges are responsible for conducting hearings in contested cases pursuant to applicable laws, administrative rules, and Commission directives. This includes the responsibility for scheduling hearings and filing dates, ruling on motions, presiding over hearings, participating in mediations and arbitrations, and issuing a Proposal for Decision (PFD) at the conclusion of each contested case. Currently, an Administrative Law Manager, seven Administrative Law Judges (ALJs) and one support staff carry out this function.

During 2012, MAHS ALJs assigned to Commission proceedings conducted 229 days of hearings and issued PFDs in 25 cases. One hundred twenty-six settled or undisputed cases were processed and transmitted to the Commission for its consideration. In addition to the normal array of rate cases, PSCR and GCR Plans and Reconciliations, special contracts, certificates of public convenience and necessity, pipeline cases, complaints and licensing applications, the MAHS Administrative Law Judges were responsible for conducting the proceedings in several more complex Commission matters including: rate case proceedings that must be completed within 12 months of the filing of the application or the application will be considered approved as filed per Public Act 286 of 2008, biennial Energy Optimization and Renewable Energy plans and reconciliations proceedings required by Public Act 295 of 2008, Michigan Telecommunications Act proceedings, certificate of necessity proceedings, and utility infrastructure proceedings.

## **Media and Public Information**

The Commission issued 98 press releases resulting from Commission orders, programs, and activities.

Press releases announced Commission action on a wide range of issues including: investigations into smart meter deployment in Michigan; an update on progress made toward

meeting the 2015 renewable portfolio standards; increases in telephone and video competition; several electric and natural gas rate cases; Charlevoix County becoming the first in the nation to earn the “Connected” broadband designation; a report showing that energy optimization programs are exceeding targets; net metering reaching a new high in Michigan; approval of three electric cooperatives transitioning to member-regulation; and three new consumer tips sheets on programs and protections for senior citizens, electric choice for residential and commercial customers, and rural call completion.

The Commission provided information and assistance to over 330 media contacts.