

# MICHIGAN PUBLIC SERVICE COMMISSION

## 2013 ANNUAL REPORT

John D. Quackenbush, Chairman  
Greg R. White, Commissioner  
Sally A. Talberg, Commissioner

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

March 3, 2014





## **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's 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 several committees including the Committee on Gas, the Committee on Consumer Affairs, and the Subcommittee on Pipeline Safety. Chairman Quackenbush is also a member of the Advisory Council for the Gas Technology Institute.



## **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 Michigan Public Service Commission 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, the Federal Energy Regulatory Commission, and the Michigan Legislature.

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

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



## **Sally A. Talberg, Commissioner**

Sally A. Talberg was appointed by Governor Rick Snyder to the Michigan Public Service Commission on July 3, 2013. Her term ends July 2, 2019.

Prior to her appointment, Commissioner Talberg worked in the public and private sectors over the past 15 years with a focus on energy policy and utility regulation. Most recently, she served as a senior consultant at Public Sector Consultants where she conducted research and analyses, and wrote reports on energy policy issues. During her tenure at Public Sector Consultants, she also helped establish the state's premier energy efficiency financing organization, Michigan Saves. Commissioner Talberg previously served as an analyst at the Michigan Public Service Commission, managed enforcement and contested cases at the Michigan Department of Environmental Quality, and advised commissioners at the Public Utility Commission of Texas. Her expertise includes energy issues at the state, regional, and federal level involving electric rates, retail and wholesale market design, transmission planning and siting, and energy efficiency.

Commissioner Talberg is a member of the National Association of Regulatory Utility Commissioners and serves on the Telecommunications Committee. She also serves on the board and executive committee of the Organization of MISO States, and represents the state regulatory sector on the Midcontinent ISO's Advisory Committee and Planning Advisory Committee. She was also appointed in 2014 by the Federal Communications Commission to serve on the Federal-State Joint Board on Jurisdictional Separation.

Ms. Talberg holds a bachelor of science degree in Environmental and Natural Resources Policy Studies from Michigan State University and a master's degree in Public Affairs from the Lyndon B. Johnson School of Public Affairs, University of Texas-Austin.

## **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**

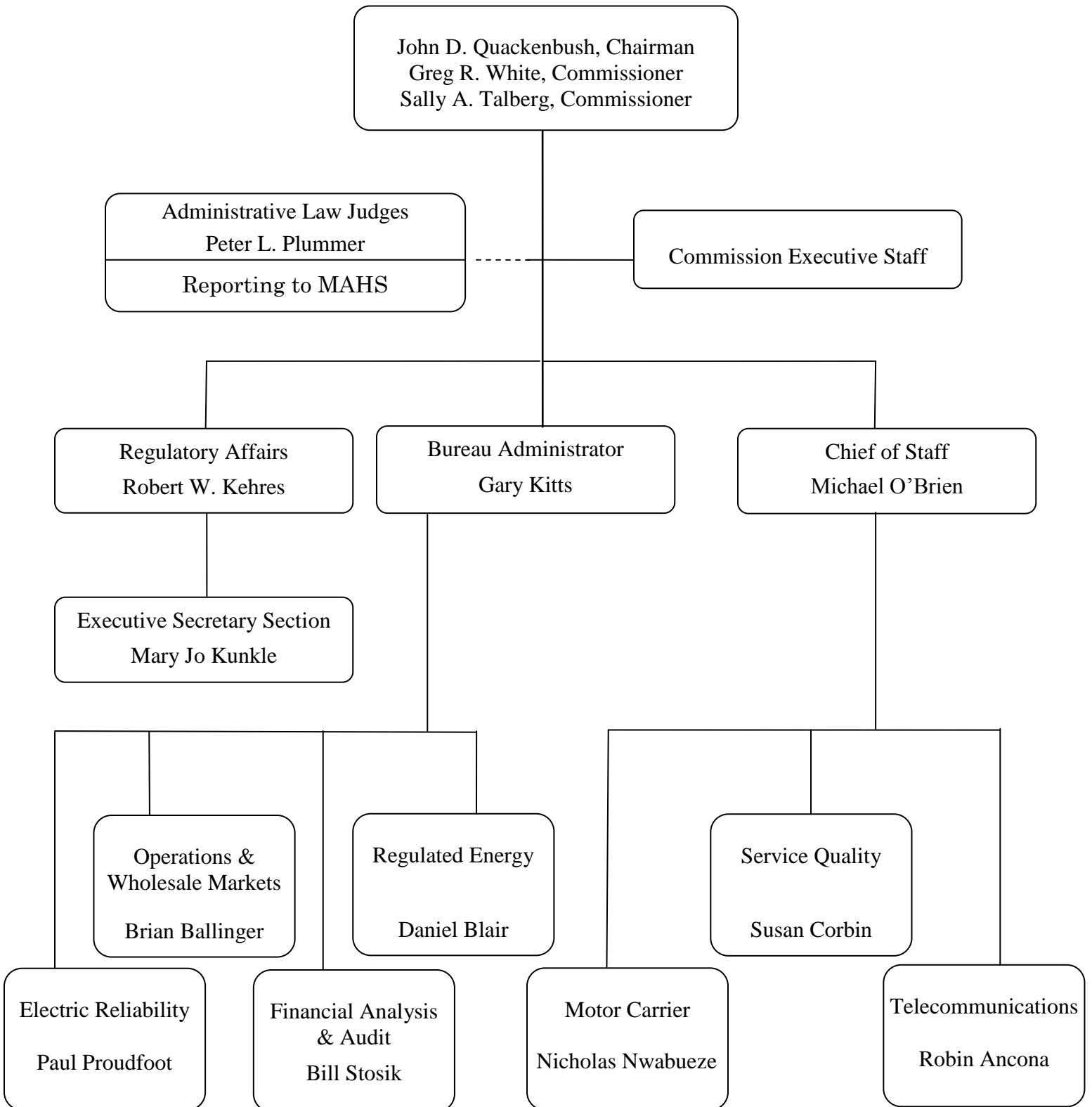
The Michigan Public Service Commission (MPSC) has a staff of 186, organized into eight divisions: (1) Regulatory Affairs Division, which is primarily responsible for the drafting of Commission orders and administrative rules, and maintaining the Commission's files and official dockets; (2) Electric Reliability 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, 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) Motor Carrier Division, which is primarily responsible for licensing and regulation of motor carriers and regulation of water ferries; (5) Operations & Wholesale Markets Division, which is primarily responsible for ensuring safe, adequate, and reliable energy supplies, and energy data and security; (6) Regulated Energy Division, which is primarily responsible for electric, natural gas, and steam utility ratemaking functions; (7) Service Quality Division, which is primarily responsible for assisting utility customers, enforcement of Commission rules relating to customer service, video franchise matters, and energy grants; and (8) Telecommunications Division, which is primarily responsible for all aspects of the Commission's authority related to telecommunications services.

In addition to the Commission's eight 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 26.1 and an average of 22.1 in other Great Lakes states.

# MPSC 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 Process Improvement**

After recognizing the potential benefits of regulatory process improvement and commensurate with the Governor's directive regarding Reinventing Performance in Michigan (RPM), the Commission established a Process Improvement Specialist position in April 2012. The position duties were designed to guide the Commission toward regulatory process improvement by using the Lean Process Improvement (LPI) Program. The position was filled in June 2012.

Through the LPI Program, the Commission reviewed its processes and procedures, both individually and comprehensively, to determine where improvements could be made to increase the Commission's efficiency and effectiveness. The Commission identified objectively verifiable measurements to evaluate performance and accountability. During 2013, there were seven projects identified as initial areas where improvements could be made. One noteworthy project was the **MPSC Scorecard**, which was rebooted in 2013. Each division has metrics on the MPSC Scorecard to assess its performance and is accountable for its performance. The Scorecard is updated monthly. Another significant project involved the processing of for-hire motor carrier applications for intrastate authority. The Motor Carrier Division proposed to



streamline the application process by eliminating 64 unnecessary work steps; when fully implemented this will result in less than 25 days of processing time, a reduction of 67 percent.

The Commission continues to work on other identified project areas, seek new project areas, and strive for excellence in the performance of its services.

### **Regulatory Affairs Division**

Through the Regulatory Affairs Division, the Commission issued 630 orders in 2013, consisting of 166 telecommunications, 393 electric, 69 natural gas, and two motor carrier orders. The Commission also issued 22 minute actions. The Executive Secretary received and processed 7,249 official documents from applicants, complainants, respondents, intervenors, and other interested persons. This included documents resulting from 331 cases opened in 2013. Thirty-eight formal complaints were served upon regulated telecommunications, electric, and gas providers. Also, 198 notices of hearing and notices of opportunity to comment were issued on behalf of the Commission. Court reporters were scheduled for 320 Commission hearings. More than 300 industry officials and interested persons were electronically notified of Commission's Own Motion orders through an automated electronic notification system. The Commission received and opened 293 electronic cases and posted 7,020 filings from utility companies, intervenors, Commission Staff, administrative law judges, the Attorney General, ratepayers, and court reporters electronically submitted to the E-Docket site in 2013. The Executive Secretary also responded to 150 Freedom of Information Act requests.

### **Electric Reliability Division**

Through the Electric Reliability Division, the Commission approved Energy Optimization plans for 65 utilities, cooperatives, and municipal utilities. This division also co-sponsored the 2013 Michigan Advanced Lighting Conference and worked on four applications

for a Certificate of Necessity or a Certificate of Public Convenience and Necessity for new electric transmission lines or generating facilities. Two of the applications were approved, one was settled in January 2014, and one has been withdrawn. The Commission also approved renewable energy plans for 70 electric providers, handled 11 renewable energy reconciliation cases, and approved four wind energy contracts. The Smart Grid section continued its efforts in reviewing and evaluating the reasonableness and prudence of utility proposals for smart grid projects, including a focus on data privacy and cyber security.

### **Financial Analysis & Audit Division**

Through the Financial Analysis & Audit Division, the Commission issued rate orders approving rate changes for three utilities resulting in rate increases ranging from 2.30 percent to 5.98 percent. The Commission also approved a financing order for securitization of certain assets for one company, a transfer of partial ownership of a power plant, and a sale of a storage partnership. The division notes that the number of both electric choice customers and gas choice customers throughout the state decreased in 2013. The Commission opened 30 Gas Cost Recovery, Power Supply Cost Recovery, Times Interest Earned Ratio, self-implementation, revenue decoupling, Steam Cost Recovery, and miscellaneous cases that were assigned to the Act 304 Reconciliations section of this division. Of these cases, 10 remain open.

### **Motor Carrier Division**

Through the Motor Carrier Division, the Commission received and processed 351 applications for original operating authority, 278 requests for temporary operating authority, 15 applications for transfer to new ownership, 12 changes of operating name, 32 temporary and 31 permanent discontinuances of authority, and seven reinstatements of authority from discontinuance. More than 5,200 Commission decals were issued to vehicles for accounts

renewing intrastate operating authority. Intrastate carriers submitted over 3,157 public liability/property damage insurance endorsements, as required by law. The division also reviewed 402 applications for intrastate authority for compliance with safety regulations and dismissed 35 applicants for failure to prove compliance. Household goods carriers submitted 39 amendments and additions to tariff filings. Application packets were mailed to 126 household goods carriers suspected of operating without authority and 33 new applications for household goods authority were received and processed. Nine household goods carriers were referred for investigation to the Michigan State Police Commercial Vehicle Enforcement Division. More than 21,000 Unified Carrier Registration (UCR) renewal notices and application forms were mailed out in 2013 and a total of \$7,545,354 was collected from the UCR program. The Commission also answered 1,900 calls regarding intrastate US Department of Transportation (USDOT) numbers and issued 379 USDOT numbers in 2013. Through the Lean Process Improvement initiative, the division reviewed its processes and made recommendations to reduce intrastate application processing time from 90 days to 25 days, amend the Michigan Motor Carrier Act, and develop a web-based motor carrier registration system.

## **Operations & Wholesale Markets Division**

Through the Operations & Wholesale Markets Division, the Commission issued orders regarding six gas pipeline construction requests, two hazardous liquid pipeline construction requests, one underground facility damage and safety case, one electric operations case, and one electric complaint case. Gas Safety engineers inspected all jurisdictional pipeline operators, achieving a total of 627 inspection days resulting in \$680,000 in proposed civil penalties. Also, the Commission collected civil penalties totaling \$430,000 from Consumers Energy for non-compliance with the Michigan Gas Safety Standards in two pipeline explosions. After the

signing of an update to the MISS DIG statute, the Commission was tasked with the administration of a general civil enforcement process and a local government enforcement process of the MISS DIG program. The amendment to the statute also requires the Commission to implement provisions for reporting and tracking damages to underground facilities, and to make that data publicly available on its website. The division also issued a staff report on the status of power quality in Michigan. The division continues to 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. The division also monitors the state's overall energy supply as part of its responsibility for Michigan's energy emergency preparedness. Division staff participated in energy emergency exercises and responded to a number of supply disruptions, some of which resulted in declarations of an energy emergency. Also, the division handled two propane-related energy emergencies, one in the Upper Peninsula and one statewide, in 2013. The division began implementation of the first Local Energy Assurance Plan and will continue implementation of these plans in different regions of the state in the coming year. The Commission continues to issue short-term energy forecasts of supply and demand and during the winter months, conduct a weekly survey of residential heating oil and propane prices. The division also monitors and participates in federal and regional electric and natural gas activities, and technical and policy issues involving the state of Michigan and the Commission in federal agency proceedings and regional stakeholder processes. Two Commissioners serve as members and officers of regional state committees.

### **Regulated Energy Division**

Through the Regulated Energy Division, the Commission opened 11 Power Supply Cost Recovery (PSCR) plan cases, seven Gas Cost Recovery (GCR) plan cases, and one Steam

Supply Cost Recovery (SSCR) plan case. Also, this division shares the responsibility for processing rate cases with the Financial Analysis & Audit Division by providing cost of service studies, rate design, tariff proposals, and various other inputs for all electric and natural gas rate cases. The Commission issued orders in 12 PSCR plan cases, seven GCR plan cases, and one SSCR plan case. The division also had the lead role in two gas depreciation cases and one electric depreciation case that were completed during 2013. Two other depreciation cases are pending. The division also reviewed an application regarding changes in accounting for investment in certain generating units and processed 356 electric and 183 natural gas tariff sheet filings. The Commission also reviewed and processed 12 requests to alter tariff provisions. The division handled two complaint cases regarding alleged overcharges by regulated utilities and has two more pending.

### **Service Quality Division**

Through the Service Quality Division, the Commission received 12,309 new contacts regarding customer complaints and inquiries. The division also coordinated 60 formal complaint cases for customers who were not satisfied with the resolution of their complaint at the informal level. The division handled 6,635 energy-related complaints and inquiries, 1,775 complaints regarding telecommunications, and 1,229 complaints regarding video/cable. A total of 34,626 low-income households were served with Low-Income Energy Assistance grants totaling \$27,647,804. Also, approximately \$90,000,000 in grants were approved through the Michigan Energy Assistance Program to intervene in low-income household energy crisis situations and provide energy assistance program services that will enable low-income participants to become, or move toward becoming, self-sufficient. Pursuant to Public Act 95 of 2013 and the creation of the Low-Income Energy Assistance Fund (LIEAF), the Commission adopted a funding factor of

99 cents per meter per month for all Michigan electric utilities opting to participate in LIEAF. The LIEAF can be funded up to \$50,000,000 per year. The division also participated in 73 outreach events throughout the state and exceeded its goal of reaching 7,500 people in 2013 by reaching approximately 9,300 citizens. The division also distributes consumer education tips via mail, the Commission's website, press releases, social media, and the listserv. The outreach plan has increased the listserv subscribership 47 percent to 2,299 subscribers.

### **Telecommunications Division**

Through the Telecommunications Division, the Commission granted licenses, or approved amendments to existing licenses, for 12 telephone companies. The division also handled an arbitration case and a 9-1-1 surcharge calculation case, as well as expanding 2-1-1 programs. At the end of 2013, 556 companies were registered as intrastate telecommunications service providers in the state. Two new applications to become Eligible Telecommunications Carriers (ETCs) were approved and 57 wire line and wireless carriers' approvals to be designated as ETCs were continued. METRO tax credits for 73 providers were approved in 2013. Also, the division processed 89 METRO/Rights-of-Way notices of permit applications from municipalities. The division continued its work with Connect Michigan to expand broadband availability, adoption, and use throughout Michigan. The division also oversaw two rulemaking proceedings in 2013.

### **MAHS Administrative Law Judges**

During 2013, MAHS ALJs assigned to Commission proceedings conducted 228 days of hearings and issued Proposals for Decision in 35 cases. In addition, 184 settled or undisputed cases were processed and transmitted to the Commission for its consideration. Of the six rate cases (two of which were TIER cases) pending during 2013, three were resolved by settlement

agreement, two others were partially resolved by settlement agreement, and one was withdrawn by the applicant. PFDs were issued in five cases involving renewable energy plans under Act 295. The ALJs also handled several cases reopened on remand from the Court of Appeals. And, for the first time since the Uniform Video Services Local Franchise Act was adopted, the ALJs mediated several consumer complaints pursuant to the provisions of MCL 484.3310(5)(b)(i).

## **Media and Public Information**

The Commission issued 130 press releases resulting from Commission orders, programs, and activities. Also, the Commission provided information and assistance to over 330 media contacts.

For more information about Commission activities, please visit the Commission's website at [www.michigan.gov/mpsc](http://www.michigan.gov/mpsc).