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GOVERNOR

STATE OF MICHIGAN
PUBLIC SERVICE COMMISSION
DEPARTMENT OF LABOR & ECONOMIC GROWTH
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CHAIR

Robert B. Nelson
COMMISSIONER

Laura Chappelle
COMMISSIONER

March 1, 2004

Honorable Jennifer M. Granholm
Governor of Michigan

Honorable Members of the Michigan Senate
Honorable Members of the Michigan House of Representatives

On August 14, 2003, the largest electric blackout in North American history plunged 50 million North Americans into darkness. More than 6 million Michigan consumers and businesses lost electric service for up to two days. This blackout immediately highlighted the critical importance of reliable electric service. The Michigan Public Service Commission initiated an investigation into the blackout, focusing on what caused the blackout, how Michigan's utilities and transmission operators reacted to the outage and to the events preceding it, utility companies' efforts to restore power following the blackout and recommendations designed to prevent future disruptions. The MPSC released its findings and recommendations on November 5, 2003, the first comprehensive, state-specific report to be released on the blackout.

The MPSC continues to work closely with the Homeland Security Advisory Council, state, federal, and local governments and the private sector to protect the safety and health of Michigan residents and to reduce critical infrastructure risks and vulnerabilities.

In October, the MPSC also responded to Michigan's low-income and senior citizens needs for the upcoming heating season by expediting and awarding nearly \$20 million from the Low-Income and Energy Efficiency Fund for low-income energy efficiency projects and low-income energy assistance. This followed an earlier release of \$20 million in February that addressed emergency low-income energy assistance needs.

On September 17, 2003, the Federal Communications Commission authorized SBC to provide in-region, interLATA service in Michigan. The MPSC had been actively involved in reviewing SBC's compliance with a 14-point checklist provided by the Federal Telecommunications Act of 1996, conducting collaborative meetings, and providing its recommendation on SBC's compliance to the Federal Communications Commission.

The Commission's newly created Call-Center enhanced the MPSC's ability to respond promptly and efficiently to consumer calls. Since its creation in January 2003, the Center has responded to more than 48,000 consumer calls, handling routine inquiries and directing more complex matters to MPSC regulation officers.

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Page 2

Commission efforts to streamline the document filing and retrieval process made great strides, as 53% of all new cases were filed electronically with the Commission. This not only minimized the number of copies filed by parties to cases, it also eliminated the need for staff to reproduce 53,000 paper copies of filings. Additionally, parties to cases and the public had 24-hour access to all electronic case records via the Internet.

The Commission advanced implementation of Public Act 48 of 2002, the METRO Act, approving credits for 48 telecommunications service providers. The Act stimulates the availability of affordable high-speed Internet by simplifying the permit process and standardizing fees for local rights-of-way access.

On March 12, 2003, the Commission advanced customer choice for Michigan consumers by establishing a process for the mandatory licensing of alternative natural gas suppliers for Michigan's natural gas choice programs. Electric competition in Michigan also continued its steady progress, more than doubling the number of customers participating during the year.

The Commission experienced a 30% reduction in staff in 2002 as a result of the state's early retirement package. Chair Lark is working with the Executive Office and the Legislature to increase staffing levels to ensure thorough review of utility rate increase requests and for order-writing functions. The Commission appreciates your support since Michigan ranks 45th among the 50 states in its staff levels per one million people served by regulated utilities.

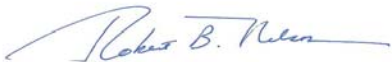
We are pleased to provide you with this Annual Report. We look forward to working with you on future matters vital to Michigan residents.

Respectfully submitted,

Michigan Public Service Commission



J. Peter Lark, Chair



Robert B. Nelson, Commissioner



Laura Chappelle, Commissioner

2003 ANNUAL REPORT MICHIGAN PUBLIC SERVICE COMMISSION



J. Peter Lark, Chair
Robert B. Nelson, Commissioner
Laura Chappelle, Commissioner

Michigan Department of Labor & Economic Growth

TABLE OF CONTENTS

Commissioner Profiles.....	1
Mission and Goals.....	4
Organizational Chart.....	5
Division Reports:	
Commission Operations.....	6
Competitive Energy.....	13
Energy Operations.....	17
Regulatory Affairs.....	22
Telecommunications.....	24

J. Peter Lark Chair

Appointed to Commission: August 4, 2003

Term Ends: July 2, 2009



J. Peter Lark was appointed to serve as Chair of the Michigan Public Service Commission by Governor Jennifer Granholm on August 4, 2003. His appointed term ends July 2, 2009.

J. Peter Lark most recently served as Assistant Attorney General in charge of the Special Litigation Division of the Michigan Attorney General's office where he served since 1979. The Special Litigation Division advocated on behalf of the Attorney General before the Michigan Public Service Commission, the Federal Energy Regulatory Commission, the Federal Communications Commission, and federal and state trial and appellate courts. Mr. Lark headed the Special Litigation Division under three Attorneys General. While at the Attorney General he has served on the Litigation Advisory Board and the Opinion Review Board. He has tried cases in the federal and Michigan courts, and has argued numerous cases in the state and federal appellate courts, including the Michigan Supreme Court and the U.S. Court of Appeals.

In 2003, Mr. Lark was appointed by Governor Granholm to serve on both the Electric System Working Group and the Nuclear Working Group for the Joint United States - Canada Energy Task Force established by President George W. Bush and Prime Minister Jean Chrétien to investigate the causes of the August 2003 blackout. Lark also serves on the National Association of Regulatory Utility Commissioners Subcommittee on Nuclear Issues.

Since 1985 he has been an adjunct professor at the Thomas M. Cooley Law School teaching advocacy, trial workshop, and advanced trial workshop.

Before joining the Attorney General's Office, he served as an Assistant Prosecuting Attorney in Wayne County, Michigan.

Lark received a law degree from Western New England College School of Law in 1976, and earned an undergraduate degree, with honors, from Boston College in 1973.

Robert B. Nelson Commissioner

Appointed to Commission: May 10, 1999

Reappointed: August 3, 1999

Term Ends: July 2, 2005



Robert Nelson was originally appointed by Governor John Engler on May 10, 1999. He was subsequently reappointed for a term ending July 2, 2005.

Mr. Nelson served as President of the Michigan Electric and Gas Association from December 1987 until his appointment to the Commission in 1999. From 1979 to 1987, he was Director of the Commission's Office of Regulatory and Consumer Affairs, overseeing the legislative, legal, public affairs and consumer services functions of the Commission. From 1976 to 1979, he served as both Assistant and Deputy Director of Policy at the Commission. From 1974 to 1976, he was an Assistant and, later, Senior Assistant Prosecutor for Ingham County. From 1970 to 1974, he was a trial attorney for the Federal Communications Commission (FCC). Mr. Nelson serves on the National Association of Regulatory Utility Commissioners' Consumer Affairs Committee and the Telecommunications Committee, of which he is chairman. He is also a member of the NARUC Triennial Review Implementation Project (TRIP), the NARUC Inter-Commission Emissaries (NICE) Task Force, and the Advisory Councils for the Institute for Public Utilities at Michigan State University and the Center for Public Utilities at New Mexico University.

Mr. Nelson is a member of the North American Numbering Council, an advisory committee to the FCC on numbering issues. He previously served as chairman of the Administrative Law Section of the Michigan Bar Association. He has also served as Chairman of the East Lansing Cable and Telecommunications Commission.

Mr. Nelson received a B.A. in Political Science from Wayne State University (1968), and a J.D. from the University of Michigan Law School (1970).

Laura Chappelle Commissioner

Appointed to Commission: January 16, 2001

Reappointed: June 29, 2001

Term Ends: July 2, 2007



Laura Chappelle was appointed by Governor John Engler to the Michigan Public Service Commission on January 16, 2001 and served as Chairman of the Commission until August, 2003. Her appointed term ends on July 2, 2007.

Since joining the Commission, Commissioner Chappelle has taken an active role in issues relating to the development and implementation of the first FERC-approved “multi-state entity,” state retail electric choice markets, and regional wholesale markets. She was also a key advisor in the drafting and implementation of Michigan’s recent, nationally recognized “Broadband” law, that, in part, coordinated and streamlined local and state right-of-way regulations.

Prior to her appointment to the Commission, Ms. Chappelle served as deputy legal counsel for Governor John Engler and was his regulatory affairs coordinator. She also served as the regulatory affairs advisor to the House of Representatives, legislative aide for Senator William Van Regenmorter, attorney for House Speaker Paul Hillegonds, and was an assistant prosecuting attorney with the Saginaw County Prosecutor’s Office. Ms. Chappelle has served as an adjunct faculty member at Lansing Community College and Michigan State University. She holds a B.A. from the University of Michigan (1985) and a J.D. from Thomas Cooley Law School (1988). She is admitted to practice law in Michigan and Illinois.

Ms. Chappelle is currently the Vice-Chair of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Electricity, Chair of the Broadband over Power Line Task Force, Treasurer for the Organization of Midwest Independent Transmission System Operator States (OMS), a member of the Advisory Council to the North American Energy Standards Board, and the Co-Chair of the Future of Transmission Working Group through the Consumer Energy Council of America (CECA).

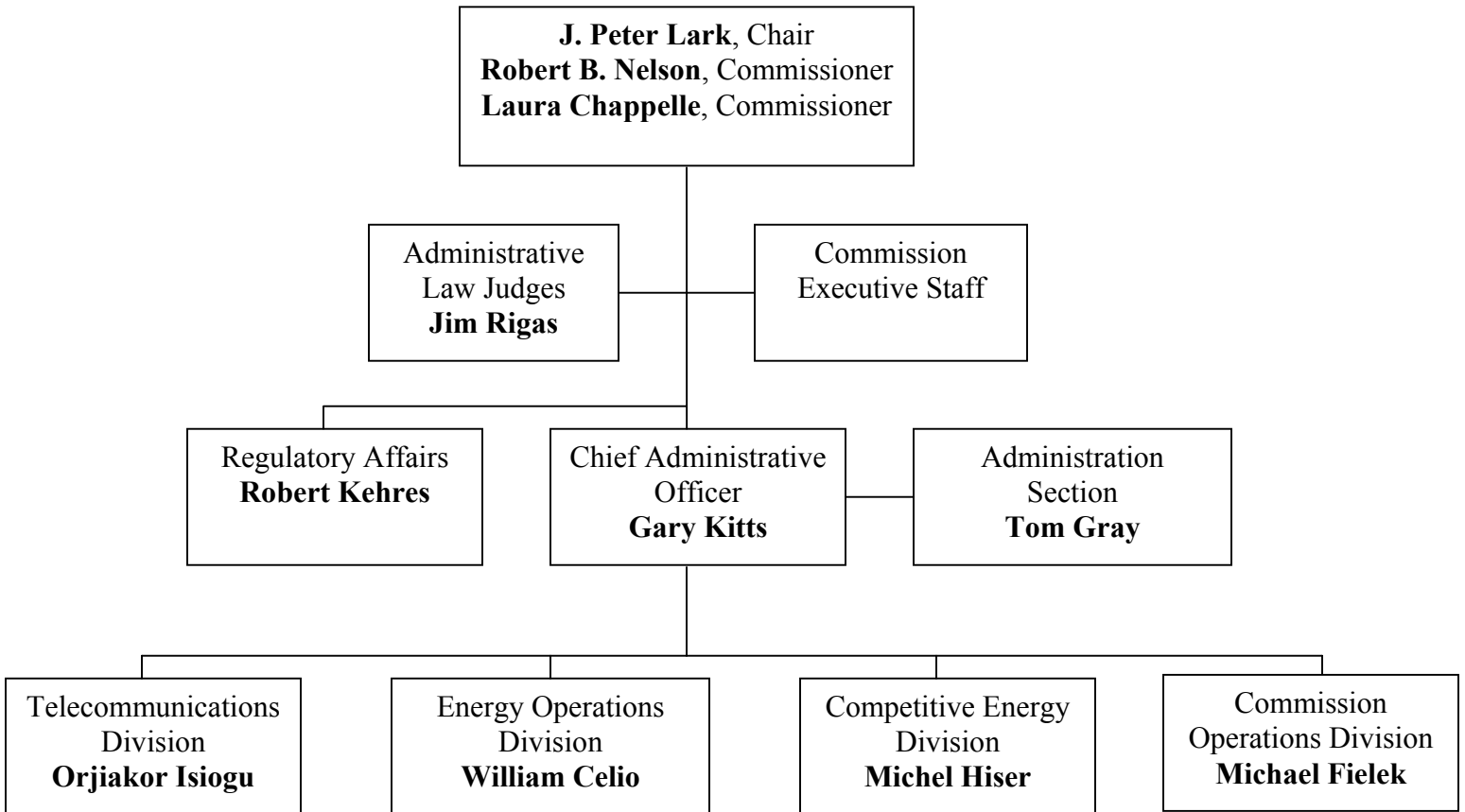
MISSION AND GOALS

The mission of The Michigan Public Service Commission is to formulate and administer policies and regulations necessary to ensure that regulated energy and communication and transportation services are provided in an efficient, reliable and safe manner sufficient to adequately meet the needs of Michigan citizens. The mission includes supporting a healthy economy and coordinating the state's policy, planning, and program activities related to energy, communication and transportation services.

The goals of the Commission are to:

- Encourage the efficient production, distribution, and utilization of the state's energy and regulated communication and transportation services;
- Ensure a supply of regulated services of dependable quality at reasonable rates adequate to meet public need and maintain a healthy state economy;
- Ensure that the regulated services are provided in a safe and efficient manner;
- Ensure that responsive action is directed toward recognized concerns of Michigan ratepayers;
- Minimize hardship and economic disruption in times of service reduction or energy curtailment;
- Provide a fair and efficient ratemaking process that accurately identifies revenues needed to provide regulated services, balances cost to consumers, assures adequate supply, reliability and safety;
- Provide for reduced regulation and increased reliance upon market forces where competition is sufficient to protect the public interest; and
- Provide regulatory oversight in the most prudent and expedient manner, while adhering to state constitutional and statutory requirements.

Organizational Chart



Commission Operations Division

Michael A. Fielek, Director

The Commission Operations Division (COD) is responsible for technical and administrative support to the Commission in four critical areas: consumer information and customer complaint intake (Customer Support Section); energy data analysis and critical infrastructure security (Energy Data & Security Section); economic, financial accounting, and technical issues (Market Monitoring & Enforcement Section); and motor carrier regulation (Motor Carrier Section).

Customer Support Section

Call Center – The Customer Intake Center was created in January 2003 to assist customers calling the Commission's toll free number (800-292-9555) with basic inquiries and complaints. "Call Center" staff creates customer records, handles the inquiries and complaints it is able to, sends complaint records to the appropriate utility or company, and forwards more complicated calls to the Commission's regulation officers. The Customer Intake Center started operation on January 14, 2003, and is available to the public Monday through Friday from 8:30 a.m. to 4:30 p.m. During the first year of operation 48,374 calls were taken, for an average of 202 calls answered per day.

Energy Conservation /Awareness Program – In response to increases in natural gas prices, the Commission reinstated and revised the "Be WinterWise" program that operated for 12 years and ended in 1997. The

objective of Be WinterWise is to alert the public to increasing natural gas prices, provide ideas on how to prepare for the increasing prices, including conservation options, and inform low income, senior citizen, and unemployed customers of available programs to assist them with their utility bills. Staff developed a page on the Commission's Web site with links to information on conserving energy, obtaining financial assistance, and a variety of other resources available to the public. This information is provided to customers calling the Commission's toll-free number, and is available to community organizations providing assistance to utility customers.

Customer Information and Education – The Commission continued its public education outreach through Staff efforts in developing new consumer alerts on natural gas choice, home heating help, higher natural gas costs, and Michigan's "Do Not Call" list. These alerts were posted on the Commission's Web site and made available to those who subscribe to the Commission's e-mail subscription service. Additionally, approximately 3,400 alerts were mailed to customers who called the Commission requesting information on a particular topic. Commission publications were provided to state legislators and local and statewide organizations upon request, and also distributed at consumer forums and speaker bureau presentations. In total, over 9,500 publications were distributed during 2003.

Consumer Forums – For the 16th year, the Commission hosted statewide consumer forums, providing the public with an opportunity to meet the Commissioners, learn about current

issues in the electric, natural gas, telecommunications, and motor carrier industries, and discuss utility issues and concerns. In 2003, forums were held in Sault Ste. Marie, Lansing, Grayling, Bloomfield Township, Ecorse, Kalamazoo, and Detroit. Over 220 consumers and community organization representatives attended the seven forums. Commission staff and utility representatives were available to assist customers with utility-related problems.

Energy Data & Security Section

Critical Infrastructure Protection – On April 15, 2003, Governor Granholm issued Executive Order No. 6 creating the Michigan Homeland Protection Board. The order also established the Homeland Security Advisory Council to advise the Board. Four committees that were formerly established under the Homeland Security Task Force: Indications and Warnings, Response, Health, and Critical Infrastructure Protection, will continue to operate under the direction of the Council. The Commission is represented on the Critical Infrastructure Protection (CIP) Committee and the Energy Subcommittee.

Emergency Preparedness – The Commission monitors the state's overall energy supply as part of its responsibility for Michigan's energy emergency preparedness (Public Act 191 of 1982, as amended). In February 2003, Commission staff was also designated to serve as the Emergency Management Coordinator for the Department of Labor & Economic Growth, which is responsible for coordinating emergency response

involving any of the Department's bureaus.

During the winter of 2002-2003, the Commission tracked and provided the public with heating oil and propane prices on its website. These prices reached record highs due to extremely cold weather. The cold weather also depleted natural gas and petroleum inventories and drove prices upward. The Commission, in coordination with the Department of Agriculture, established a gasoline price monitoring system on the Internet at which citizens could check gasoline prices and submit complaints of price gouging.

The summer of 2003 saw natural gas inventories at very low levels, with concerns on whether the industry could rebuild to levels needed going into the winter of 2003/04, and the implication this had for the future direction of natural gas prices. Fortunately, inventories were rebuilt, but the high price of natural gas led the Commission to take actions to help protect low-income customers from potential increased costs.

On August 14, 2003, a catastrophic blackout affecting 50 million customers in the northeastern U.S. left 6 million Michigan residents without power. At the onset of the outage Commission staff went immediately to the State Emergency Operations Center and remained there for most of the next three days to assess, analyze and report on the outage, advise the Governor, and take other actions as needed to facilitate recovery. The Governor declared a State of Disaster and, upon recommendation of the Commission Chair, also declared a State of Energy Emergency that

remained in effect until the end of September, due to the lingering effects of gasoline supply problems resulting from the lost production at the Marathon refinery in Detroit. The Commission released a report on its findings and recommendations on November 5, 2003. This was the first comprehensive state-specific report to be released on the blackout. The report assesses the effects, impacts and lessons learned from the blackout. See: www.michigan.gov/blackout.

Statistical and Data Analysis – Staff also continued to track and report the statistical measures of performance factors for Commission-wide activities. Presentations on energy supply and prices were provided in a Press Roundtable in March, while other presentations were made to legislative committees, executive offices, and others.

Web Site Management – The administration, management, and maintenance of the Commission's Web site include design, system maintenance, day-to-day operations, and resolution of problems as they occur. A number of changes were made to the MPSC Web site during 2003 to maintain and improve the site.

- Over 17,000 Commission orders dating back to 1960 were made available in a searchable database, eliminating the need to visit the MPSC offices to obtain a photocopy of an order from microfilm.
- In the electronic case filing process, the use of electronic signatures was adopted, streamlining document preparation.

- A pilot effort to eliminate the filing of paper copies in PSCR and GCR cases was initiated. This has been well received and has also achieved considerable cost savings.
- The Commission continues to keep the public apprised of its actions by posting Commission meeting minutes, press releases, consumer alerts, customer complaints and inquiries, information on electronically filed cases, and oil and gas well production data.

Market Monitoring & Enforcement Section

Household Goods Carriers – Michigan Movers Association (MMA) had applied for an 8% rate increase for the 140 MMA member-companies (Tariff MPSC MMA 4000). The Commission approved a 4.05% increase on November 25, 2003 in Docket T-700.

Champion's Auto Ferry – On October 1, 2003, Champion's Auto Ferry, Inc., filed an application requesting an increase in revenues of approximately \$147,000 annually. On November 25, 2003, the Commission approved a Settlement Agreement in this case, which provided for an increase of rates starting January 1, 2004 in an annual amount of \$36,000.

Published Reports and Other Information – The Market Monitoring & Enforcement Section continued to develop and implement programs associated with Michigan's electric restructuring program. The following was accomplished in 2003:

- Four utility earnings reports with an Economic Newsletter were published on the MPSC Web site.
- A report covering affiliated transactions between Michigan-regulated electric and gas utilities and their unregulated affiliates was prepared. This report has been used to monitor utility companies and their affiliates and assure regulated utilities do not subsidize the unregulated ventures of their affiliate companies.
- The Commission's Electric Code of Conduct (Case No. U-12134) provides electric utilities with the ability to seek "waivers" from provisions of the code. The Commission issued a series of orders addressing utility company waiver requests as well as a formal complaint case filed against Consumers Energy's Appliance Repair Program.
- In addition, several other complaint cases alleging that certain utilities have violated sections of the Code of Conduct are currently pending before the Commission. Staff filed testimony in one of these Code of Conduct cases, and actively participated in several others.
- Staff prepared annual reports on the Uncollectible Expense Fund for deposit in the Clean Air Fund. Staff collected data for all the utility companies under the Commission's jurisdiction for the Annual Public Utility Assessment. Staff was also in charge of the filing of annual reports by all the state's regulated utility companies.

Cost of Capital and Other Financial Cases – Staff participated in five energy utility rate applications during 2003, including Aquila Networks-Michigan Gas Utilities, SEMCO Energy Gas Company, Wisconsin Public Service Corporation, Consumers Energy Company, and The Detroit Edison Company.

On March 4, 2003, Consumers Energy filed an application seeking an order authorizing the issuance of securitization in bonds covering over \$1 billion in qualified costs. On June 2, 2003, the Commission issued an order authorizing Consumers Energy to proceed with the sale of securitization bonds, granting the company authority to securitize up to \$554,323,000 of its qualified costs. The Commission also granted the company authority to implement and to collect securitization and tax charges, and to apply appropriate accounting and amortization methodologies. The Commission disallowed all requests to securitize pension costs, capital additions to the Palisades plant, and portions of its remaining requests.

The Commission reviewed the 2003 request for true-up adjustments in Consumers Energy's securitization Case No. U-12505 and Detroit Edison's Case No. U-12478. The Commission approved routine true-up adjustments for Consumers Energy and Detroit Edison on November 25, 2003 and February 20, 2004, respectively.

Motor Carrier Section

Applications for Intrastate Authority – A total of 436 applications for original operating authority and 31 applications for grants of reissuance of revoked

intrastate operating authority were received by the Division in 2003. Related actions included 59 applications for transfer authorization to new ownership, 32 changes of operating name, 109 temporary discontinuance of operations, 65 permanent discontinuances, and 16 reinstatements of authority from discontinuance. Temporary operating authority to operate pending determination of an application for permanent authority was requested by 131 applicants, with 66 requests being granted.

At the conclusion of processing, 680 cases were reviewed by the Commission and finalized by Commission orders. Of these, 148 applications were dismissed, and 479 applications resulted in the issuance of certificates of new operating authority.

The annual renewal of active and temporarily discontinued intrastate operating authorities was initiated October 1, 2003. This included 3,658 motor carriers, 3,294 of whom returned their applications for renewal prior to January 1, 2004. Processing, including issuance of 37,349 2004 MPSC decals, was completed by January 7, 2004. A total of \$3,870,400 in fees was collected through this renewal process.

Insurance Filings – Each motor carrier applying for intrastate authority is required to submit proof of commercial public liability/property damage (PL/PD) insurance of a minimum of \$750,000 for general commodities, and \$1,000,000 where hazardous materials will be transported. If the carrier possesses authority to transport household goods, an additional commercial cargo policy sufficient to provide coverage of the

items transported must also be submitted. Once granted authority, the carrier must maintain proof of these levels of coverage while the authority remains active. During 2003, original and replacement filings were received of 351 cargo policies, and 3,764 PL/PD policies. Letters of pending cancellation/expiration of required coverage were mailed to 2,947 carriers.

Decals and Special Identification Cards

– Intrastate carriers are required to register power unit vehicles (tractors, trucks, vans, cars, etc.) utilized in their authorized operations. Where the vehicle is operated under lease agreement, a copy of the lease (meeting MPSC requirements for content), certification of a copy of the vehicle inspection (meeting United States Department of Transportation requirements) must be submitted. For-hire interstate motor carriers who have chosen to complete IRP registration and obtained apportioned plates through the Michigan Department of State are also required to obtain MPSC decals through registration and submission of acceptable lease agreements. During 2003, MPSC processed decal transactions generating over \$5 million.

Carriers may also purchase and utilize 72-hour Special Identification Cards (SID), valid for one year from the date of issuance, which may be utilized as a temporary substitution for an MPSC decal on a vehicle utilized to meet a temporary need or emergency replacement. A total of 4,928 SIDs were issued.

Safety and Compliance – Applications for both intrastate for-hire authority and the transfer of existing authority are

subject to safety reviews for compliance by the proposed carrier. These requirements include a review of the carrier's safety policy, drug and alcohol testing policy, and driver qualification files. A total of 526 such reviews were conducted.

Forty-eight (48) complaints were also filed and processed. Responses included on-sight review of the carrier operation, coordination with the Michigan State Police in carrier reviews, and establishment of a "watch list" to review specified carrier movements in progress, and an increased coordination with USDOT officials to address complaints involving both for-hire intrastate and interstate carriers.

Where required insurance coverage ceased due to expiration or cancellation and the authority remains active, carriers enter a process of compliance, which may result in the suspension, or revocation, of the authority or operating credentials and a financial assessment. In 2003, 290 informal conferences were scheduled, 49 formal complaints were served and administrative hearings scheduled, and \$13,250 in assessment fees were ordered.

Rates and Tariffs – Carriers who are granted authority to conduct for-hire intrastate movements of household goods are required to file and obtain approval of tariffs setting forth rates and practices. A total of 73 amendments and additions to tariff filings were submitted and reviewed.

Complaints were received and investigated from 52 individuals utilizing household goods movers. Those involving interstate movements were

reviewed and referred to USDOT. Investigations of the remaining complaints were conducted and complainants were advised of available remedies.

Single State Registration System (SSRS) for Interstate Carriers

– As a member of the Single State Registration Plan, Michigan joins 37 states in providing interstate motor carriers, based in Michigan, Canada, and those based in non-participating SSRS states, with the capability to complete the registration of vehicles through Michigan for each of the 38 states. During 2003, over 6,500 renewal registration packages for 2004 were prepared and mailed. State registrations for operational years 2003 and 2004 processed by Michigan collected a total of \$5.5 million, forwarding approximately \$5.3 million to other SSRS states for which registration had been completed, and retaining approximately \$165,000 for Michigan operations. Michigan operation registrations completed by the participating 37 states were forwarded to Michigan with an additional \$97,320 in collected fees.

Registration of Interstate Exempt Movements

– Carriers transporting interstate commodities declared as exempt from interstate regulation are required to annually complete a registration of operations and the number of vehicles utilized in such operations. Each carrier is issued a unique Michigan Identification Number (MIN) and, dependent upon the state of carrier base operations, may be required to pay a registration fee of \$10 per vehicle per year. During 2003, approximately 1,000 carriers were registered for this program. Certificates

of registration were issued to these carriers.

Intercorporate Hauling Permits – During 2003, 29 renewal notices related to authorization to perform intercorporate hauling were mailed. Of these, 19 applications to renew were filed, approved by Commission order, and have been issued certificates authorizing operations for one year from the date of issuance. Two additional applications (new requests) were received and have been approved and issued.

Other Activities – Staff chaired the Motor Carrier Advisory Board and participated as a member of the Michigan Highway Reciprocity Board. In a joint venture with the USDOT and the Michigan Departments of Transportation, State Police, Treasury, State, the Commission and its Staff worked toward developing coordinated state programs that will permit electronic filing and issuance of credentials to motor carriers and provide online credential and safety data to enforcement officers at the roadside.

The Commission, working closely with USDOT and the Michigan Center for Truck Safety, hosted free educational training sessions at the MPSC, on topics vital to motor carrier operations. Four sessions were provided to over 200 industry participants on the federal safety rule changes relating to Hours of Service. An additional 13 training sessions on various topics have been scheduled and opened to enrollment for 2004.

Competitive Energy Division

Michel Hiser, Director

The Competitive Energy Division provides the Commission with technical assistance, options and recommendations, oversight and analyses on the provision of electric and natural gas utility services through competitive markets at both the wholesale and retail level. CED also manages the Commission's Low-Income and Energy Efficiency Fund grants, technical energy interventions at the Federal Energy Regulatory Commission (FERC), regional gas and electric issue analysis and coordination, the Michigan Renewable Energy Program, and Alternative Electric Supplier and Alternative Gas Supplier licensing. CED is composed of three sections: Customer Choice, Federal and Regional Issues, and Tariff. The focal point of this component of the Commission's annual report is progress with electric and natural gas restructuring.

Customer Choice Section

Electric Choice Programs

The Commission issued 31 orders relating to implementation of Public Act 141 of 2000, Michigan's Customer Choice and Electricity Reliability Act.

Electric competition in Michigan continued steady progress through 2003, with the number of customers participating more than doubling during the year, now reaching over

13,000, and the number of MW served by Alternative Energy Suppliers (AES) growing by 70%, to a total of 2728 MW. The number of licensed AESs increased slightly, from 25 to 27. The number of AESs actively serving customers in the Consumers Energy service territory doubled in 2003, to eight, and 18 AESs are now serving in the Detroit Edison territory, compared to 12 at the end of 2002.

The Commission's Annual Report: *Status of Electric Competition in Michigan* is delivered to the governor and legislature by February 1 each year and is available on the Commission's Web site. PA 141, Section 10r, also directed the Commission to establish a "Michigan Renewables Energy Program" (MREP). Staff coordinated meetings of the MREP Collaborative, involving about 75 interested parties, and a series of Commission orders in 2002 and 2003, resulting in the first annual staff report to the Commission on MREP being filed in November. See <http://www.michigan.gov/mrep>.

Gas Choice Programs

Staff was responsible for developing procedures, policies and recommendations to the Commission on implementation of Public Act 634 of 2002. Under PA 634 of 2002, alternative natural gas suppliers doing business in Michigan are required to be licensed by the MPSC. On March 12, 2003, the Commission issued an order establishing a process for the mandatory licensing of these suppliers for gas choice programs in

Michigan. On July 23, 2003, Cornerstone Energy Marketing, Inc. became the first company to be licensed as an alternative gas supplier in Michigan. Seven other suppliers have applications for licenses pending.

Low Income & Energy Efficiency Fund

On February 27, 2003, the Commission issued an order awarding energy financial assistance grants totaling up to \$20 million to four organizations. In October 2003, the MPSC issued two orders addressing the needs of Michigan's low-income consumers for the upcoming heating season, awarding nearly \$20 million for low-income energy efficiency support and low-income energy financial assistance. The Commission authorized the release of these funds through its administration of the Low-Income and Energy Efficiency Fund, under authority of the Customer Choice and Electricity Reliability Act of 2000. The purpose of the Fund is to provide shut-off and other protection for low-income customers and to promote energy efficiency for all customer classes.

On October 14, the Commission awarded nearly \$6.8 million in low-income energy efficiency grants to eight organizations and on October 29, 2003, the Commission awarded \$13 million in low-income energy assistance grants. Additionally, three million dollars were released from the Fund to the Michigan Community Action Agency Association to provide shut-off

protection for Michigan's low-income consumers, as authorized by Public Act 167 of 2003. The Commission's Annual Report on The Low-Income and Energy Efficiency Fund was prepared and submitted to the State budget office, fiscal agencies, and subcommittees in compliance with Section 335 of Public Act 526 of 2002.

Service Quality

Staff responded to 1,550 complaints and inquiries on Competitive Energy issues. The vast majority of contacts, 1523, involved natural gas customer choice concerns, resulting in part, from a market spike in natural gas prices. Staff also handled 25 complaints and inquires on Competitive Electric issues.

Federal and Regional Issues Section

The Federal and Regional Issues Section closely follow FERC and regional issues. The national effort to increase energy reliability and competition has resulted in many regional-level FERC decisions that affect the states. The establishment of regional transmission organizations (RTOs) has required increased involvement at the regional level. The vast majority of the transmission lines in the state are operated by an RTO. It is essential that the state play a role in RTO decisions, which will have significant bearing on the price and reliability of this state's future electricity supply. Michigan will also continue its strong commitment to participation in natural gas

proceedings before FERC, which greatly influences price and availability of gas to meet the state's supply needs.

In 2003, the Commission was actively involved in several FERC proceedings. The primary issue in those proceedings was establishing the procedures, rates and membership of RTOs. Commissioner Chappelle testified before the FERC on the importance of increasing the reliability of electric supply in the region by having utilities join an RTO. The Commission and staff attended many of the Midwest Independent System Operator (MISO) advisory committee and work group meetings (primarily by telephone conferencing) to provide input on decisions that would affect the state's electricity users through this newly created RTO. The Commission and its staff played a primary role in the establishment of the Organization of MISO States (OMS), a group of 14 state commissions and one Canadian province, whose utilities have joined MISO. Commissioner Chappelle is the Treasurer of the OMS. OMS meets regularly (again, primarily by telephone conferencing) to try to reach agreement on regional issues. The Commission also intervened in several other FERC proceedings, addressing rate impacts on Michigan gas and electric customers. Although it occurred somewhat later in the year, the massive blackout on August 14, 2003 reinforced the Commission's determination to focus on grid reliability as a key priority for Michigan.

Tariff Section

The Tariff Section administers the Commission's customer choice tariffs, allowing customers to choose an electric or gas supplier other than their traditional utility. The Section also implements several major components of Michigan's electric industry restructuring program, initiated by 2000 PA 141. In 2003, the section assumed responsibility for stranded cost analysis, processed one competitive implementation cost case, and processed several renewable energy related cases.

On September 11, 2003, the Commission issued an order in response to an application filed by Michigan's cooperative electric utilities to reschedule electric customer choice program availability in their service territories. The Commission approved the rescheduling to give the small cooperatives more time to test the competitive market and develop the necessary organizational and administrative capabilities needed to implement a broader and more effective customer choice program.

The Commission approved two special contract cases in 2003. On April 17, 2003, the Commission approved an amended application between Upper Peninsula Power Company and Enbridge Energy, Limited Partnership. On October 23, 2003, the Commission approved a supplement to the contract, as modified by an addendum, between Great Lakes Energy Cooperative and IMC USA, Inc., LLC.

On July 8, 2003, the Commission also approved a natural gas storage company rate request that will allow Bluewater Gas Storage, LLC to develop a new natural storage field in St. Clair County. According to the settlement agreement terms approved by the Commission, the storage field will incorporate a number of monitoring safeguards and provisions related to safety and noise abatement, in addition to Michigan Gas Safety Standards.

In 2003, the Commission established retail gas cost recovery rates for seven regulated gas utilities providing for the recovery of \$2.5 billion of wholesale gas costs. The average retail natural gas rate in Michigan in 2003 was \$7.02 per thousand cubic feet (including distribution charge). Nationally, the average rate of natural gas sold to residential customers ranged between \$6.13 per thousand cubic feet and \$25.04 per thousand cubic feet. Preliminary data indicates that Michigan had the second lowest residential gas rates in the U.S. in 2003. The Michigan Gas Cost Recovery Program is among the largest in the nation and considered to have one of the most comprehensive regulatory reviews. In particular, during 2003, the Commission approved second generation Fixed-Cost Purchasing Guidelines that provide for more effective price hedging strategies. In addition, the Commission continued to develop new NYMEX contingency mechanisms that allow GCR price ceilings to flex on a real-time basis with changes in wholesale market prices.

In total, staff reviewed, analyzed, audited, and processed 37 power supply cost recovery and gas cost recovery plans and reconciliations in 2003.

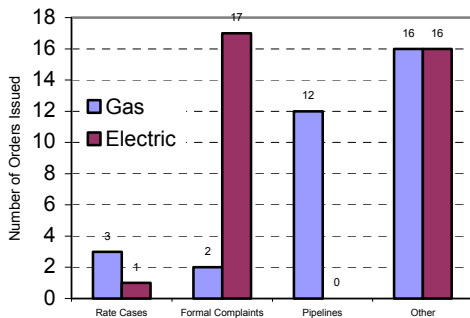
Energy Operation Division

William Celio, Director

The Energy Operations Division provides the Commission with technical assistance and recommendations on electric and natural gas services and issues necessary to ensure that regulated electric and natural gas services are provided in a safe, reliable, and efficient manner to enhance Michigan’s competitive economic environment. Four sections comprise the Energy Operations Division: Operations, Rates, Safety and Service Quality.

Commission Orders

Orders Issued by Type and Industry 2003



Rate Cases

The Commission approved rate increases for four utilities in 2003: Aquila Networks - Michigan Gas Utilities, Consumers Energy Company, SEMCO Energy Gas Company, and Wisconsin Public Service Corporation.

The Commission authorized Aquila to increase rates to its natural gas customers \$8,400,000 on an annual basis after the parties to the proceeding entered into a settlement agreement that included a \$700,000 reduction in

depreciation rates. The Attorney General and the Association of Businesses Advocating Tariff Equity, among others, signed the settlement agreement, which increased a typical residential customer’s monthly bill by \$3.44.

The Commission granted Consumers Energy Company interim rate relief in the amount of \$19,340,000 for natural gas service, or approximately 3.5% on an annual basis. The increase will raise a typical residential customer’s monthly bill approximately 77 cents. Consumers’ originally requested interim relief of \$155,997,000, but subsequently reduced that request to \$33,000,000. The matter of final relief for Consumers Energy is pending before the Commission.

SEMCo Energy Gas Company requested authority to increase its rates for natural gas service by \$10,938,290. The parties to the case, including the Commission Staff and the Attorney General, entered into a settlement to increase SEMCo’s rates \$3,285,581 on an annual basis, or approximately 4.8%, including a \$2,048,000 reduction for revised depreciation rates. The Commission adopted the settlement agreement, which increased rates for a typical residential customer by approximately \$1.05 per month.

The Commission authorized Wisconsin Public Service Corporation to increase its rates for electric service \$300,000 on an annual basis, or approximately 1.92% over all rate classes. A typical residential customer’s monthly bill will increase approximately \$2.05. Wisconsin Public Service Corporation had originally requested \$1,420,783, but

negotiated a settlement agreement that provided annual relief in the amount of \$300,000. Wisconsin Public Service Corporations' last rate increase was June 3, 1986.

Two other major utilities also requested rate relief which are pending before the Commission – Detroit Edison and Michigan Consolidated Gas Company. Detroit Edison requested authority to increase its rates for electric service. Major factors underlying that request are the impact of the customer choice program, environmental compliance costs, increased costs associated with employee pensions and healthcare benefits, increased costs associated with the physical security of the electric system, capital costs of plant additions over the past decade, and certain regulatory assets approved by the Commission over the years. Edison requested interim relief in the amount of \$536 million. On February 20, 2004, the Commission issued an order granting \$248,430,000 in partial and immediate rate relief, while at the same time reducing power supply cost recovery rates by \$126 million for a net increase of \$122 million, \$71 million of which will be deferred until the rate caps for residential and small commercial customers are removed in 2006 and 2005, respectively. Detroit Edison's last rate increase was granted in 1993.

Michigan Consolidated Gas Company, an affiliate of Detroit Edison, requested final rate relief in the amount of \$193.6 million, and interim relief in the amount \$154 million on an annual basis. Like Detroit Edison, Michigan Consolidated alleged that it has seen increased costs in employee pensions and healthcare

benefits. Michigan Consolidated's last rate increase was granted in 1993.

Rate Changes by Company 2003		
Company	Rate Increase	Percent Increase
Aquila Networks-MGU	\$8,400,000	16.9
Consumers Energy (Interim)	\$19,340,000	3.5
Wisconsin Public Service Corporation	\$300,000	1.92
SEMCo Energy Gas Company	\$3,285,581	4.8

Gas Safety

Gas safety staff inspected all jurisdictional pipeline operators on a timely basis, thus meeting the requirements of Public Act 165 of 1969 and the United States Department of Transportation (USDOT) requirements. Safety staff investigated all jurisdictional incidents that met the USDOT requirements. The safety program maintained its federal certification following receipt of a favorable review of the USDOT. Staff also worked with underground facility owners to obtain a \$300,000 grant from the USDOT, to fund an advertising campaign designed to reduce underground damages.

On November 7, 2002, the Commission initiated a rulemaking proceeding to address the need for added safety in the construction, operation, and maintenance of sour gas pipeline systems in Michigan. The Commission's July 30, 2003 order established new standards for sour gas pipeline operations.

Service Quality

The Service Quality Section handled more than 8,000 gas and electric complaints, which resulted in over 13,900 telephone calls and 39,000 activities to complete the complaints. Although the actual call volume to the Section decreased from over 12,000 in 2002 to just over 8,000 in 2003, the activities necessary to resolve the customer complaints and inquiries increased from over 27,000 to over 39,000. The decrease in the call volume was the result of the Commission's newly created Call Center that provided initial call screening for customer complaints and inquiries from the toll-free and local office telephone line.

Customer concerns about high bills, responsibility for bills, estimated bills, other billing problems, and the quality of service topped the list of frequent complaints. The number of excessive consecutive estimated bills caused the Commission to initiate an investigation of Detroit Edison's compliance with the Consumer Standards and Billing Practices Residential Gas and Electric Service R460.2112 Estimated Billing. The Commission ordered Detroit Edison to file a report detailing the number of consecutive estimated bills rendered, reasons that actual reads could not be

obtained and other actions related to customer meter reading. Commission staff is in the process of conducting an audit of the information provided and will report its findings to the Commission, along with its assessment of Detroit Edison's compliance with Rule 12, and recommend, if appropriate, enforcement actions and relevant penalties.

The Commission received more than 40 formal complaints against gas and electric companies and rural electric cooperatives. Thirty of the complaints filed were against Detroit Edison. However, a majority of all the complaints filed were settled prior to, or during, the administrative hearing process.

Other issues that contributed to the call volume were related to increases in the gas cost for the three major gas companies, bill payment assistance and, of course, potential shut offs of service.

The open pending complaints were below 200 as of December 31, 2003.

Pipelines

The Commission issued 12 pipeline orders in 2003. The orders followed staff determinations that the proposed transmission pipeline was practicable, met the requirements of the Michigan Gas Safety Standards, and served the public convenience and necessity. Generally, pipelines are required to deliver natural gas that is produced in Michigan for markets within and outside the state.

Natural Gas Production

Staff issued 330 gas well connection permits, with 322 for gas wells in the Antrim formation. Total gas production in 2003 is estimated to be 201 billion cubic feet. Antrim gas wells provided approximately 76 percent of the total.

Emergency and Outage Events

The Operations and Safety Sections Staff participated in a number of energy related emergency and outage events. In early March, the Staff monitored the gas delivery capability of the Consumers Energy system due to a shortage of natural gas in storage. On April 3rd and 4th a massive ice storm swept across lower Michigan, the resulting damage to trees and electric distribution equipment left nearly 1 million customers without electric service for up to a week. Staff monitored the recovery process of the affected utilities during the recovery period. On May 5th a dam failed in the Upper Peninsula near Marquette. This failure flooded the Presque Isle Power Plant forcing it out of service. The electric power system in the Western Upper Peninsula was short of generation capability for nearly a month and was forced to rely on the transmission lines, which transport power from Wisconsin. During this period, many large industrial customers were without full electric power. This situation was monitored daily until the Presque Isle Power Plant returned to service.

On December 4th, two transmission lines in Wisconsin, which serve the Upper Peninsula, failed within minutes of each other. The loss of this import capability resulted in a generation shortage in the

western Upper Peninsula, which forced the electric generating units online out of service. Damage to these units and the inability of The American Transmission Company (ATC) to discover the cause of the transmission failure required a reduction in demand, which forced a number of large industrial customers to curtail demand for several days. Staff monitored this situation daily until the generation units at the Presque Isle Power Plant returned to service.

During the summer period, the Staff also monitored the capability of the Detroit Edison and Consumers Energy systems to meet peak load on a weekly basis.

As discussed earlier in this report, the August 14th blackout resulted in the Commission and its staff monitoring the event very closely. Staff spent several days assisting the State Police Emergency Center. On September 3, 2003, Chair Lark briefed Congress on the blackout, with Mr. Lark testifying on the importance of system accountability before the U.S. House Committee on Energy and Commerce. Staff also took a lead role in investigating the cause of the blackout and assisting in preparation of Michigan's report.

Following the blackout, the Commission issued a series of orders to address service quality and reliability issues. On December 9, 2003, the Commission directed Michigan's investor-owned utilities to file reports by April 1, 2004 on their tree and vegetation trimming practices around the transmission and distribution lines used to serve their customers. Both the MPSC's report and a U.S.-Canadian Power System Outage Task Force report on the August 14th blackout indicated that power line

contacts with trees were part of what triggered the outage.

On January 24, 2004, the Commission formally adopted rules governing service quality and reliability for electric distribution systems. Under these rules, Michigan consumers will have in place some of the best standards in the country, which include stiff penalties for utilities that fail to live up to the standards. Standards include those for service outages, distribution facility upgrades, repairs and maintenance, telephone service, billing service, operational reliability, and public and worker safety.

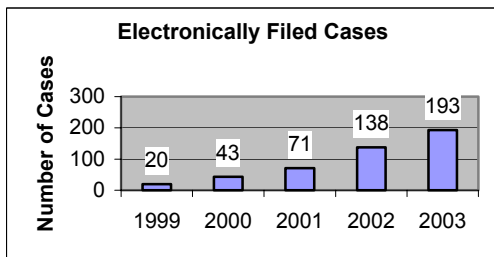
Regulatory Affairs Division

Robert Kehres, Director

The Regulatory Affairs Division provides the Commission with legal, technical and research expertise, handles media and public information, and other administrative duties performed by the Executive Secretary Section, including: maintaining the security of all official records, providing appropriate access to records, and distributing all official Commission documents.

Case Documents and Processing

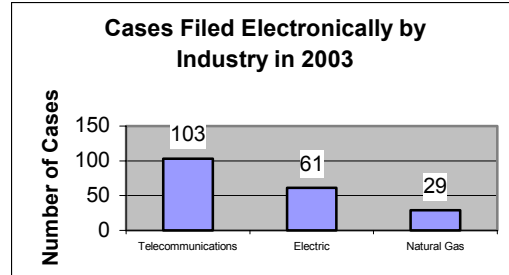
Staff processed 5,565 official pleadings filed with the Commission by applicants, respondents, intervenors and interested persons. Staff distributed 17,915 Commission orders to parties to cases, subscribers and the public. Likewise, the Executive Secretary issued 176 notices of hearing and notices of opportunity to comment, which staff distributed to subscribers and parties, and posted to the Commission’s Web site.



Electronic Filings

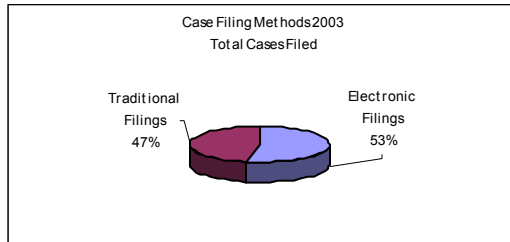
Participants in the Commission’s Electronic Case Filings (e-filings) program increased the number of cases filed electronically by about 30

percent over electronic filings made in 2002; and 53 percent of all new cases filed with the Commission were filed electronically.



Applicants filed 193 cases electronically: 103 telecommunications, 61 electric, and 29 natural gas cases. The MPSC posted 4,829 documents that utility companies, intervenors, Commission staff, administrative law judges, the Attorney General, ratepayers and court reporters electronically filed to the Web-based e-filings system. This not only eliminated the need for MPSC staff to reproduce 53,000 paper copies, it also continued the Commission’s efforts to improve document processing efficiencies. Filers provided few paper copies of pleadings to the Commission. Additionally, parties to the cases, other interested persons and the general public enjoy the convenience of 24-hour access to all electronic case records via the Internet. The success is evidenced by over 1 million e-filed documents that were downloaded from the Commission Web site in 2003. In addition, 22 electronically-filed dockets were paperless. A move to further reduce paper filings was initiated this past fall in a paperless pilot program. All 2004 gas cost recovery plan and power supply cost recovery plan

cases, 21 in all, were filed under the pilot program. An evaluation of the pilot program will occur in early 2004, with a recommendation to the Commission in the spring.



Media and Public Information

The Commission issued 132 press releases resulting from Commission orders, programs and activities. Press releases announced Commission action on a wide range of issues, including: adopting of telecommunication service quality rules; finding SBC Michigan in compliance with the Federal Telecommunications Act; approving grants totaling \$39.8 million from the Low Income and Energy Efficiency Fund; requiring Detroit Edison to file a report on the use of consecutive estimated billing; approving a licensing procedure for alternative gas suppliers; designating the national Do Not Call list as Michigan's list; holding a public hearing on natural gas prices and kicking off the Be WinterWise campaign; investigating the August 14 blackout and issuing a report on it; approving administrative rules that established service quality and reliability standards for electric distribution systems; approving an interim gas rate increase for Consumers Energy; requiring reports

on tree-trimming practices by investor-owned electric utilities; and extending the temporary waiver for Consumers' Appliance Service Plan program.

Dominant issues of interest to the media were the August 14 blackout, the Be WinterWise campaign that highlighted higher natural gas prices and what consumers can do to keep bills lower; the national Do Not Call list that would limit telemarketing calls; and finding SBC Michigan in compliance with federal requirements to offer long-distance service. The media staff provided information and assistance to over 525 media contacts in 2003.

Telecommunications Division

Orjiakor N. Isiogu, Director

The Telecommunications Division is responsible for providing the Commission with technical assistance and policy recommendations on communications issues in Michigan. The primary activities of the division focus on administration of Public Act 179 of 1991, as amended, known as the Michigan Telecommunications Act (MTA). Four sections comprise the Division: Service Quality, Operations, Competitive Services and Broadband.

Local Telephone Competition

The Commission granted licenses or approved amendments to existing licenses to 43 telephone companies. At the end of the year, 208 competitive local exchange carriers (CLECs) were licensed to provide telecommunication services in Michigan. CLECs were serving 21.7 percent, or about 1.5 million lines provided to customers by telecommunication carriers in Michigan, according to results from an annual survey staff conducted in early 2003. This percentage has increased by 38 percent from the prior year and represents a positive trend in the competitive basic local service market in Michigan.

The number of lines served over an unbundled network platform (UNE-P) that CLECs purchased from SBC/Ameritech was 932,667, or 65 percent of all of the CLEC line activity. Resale accounts for 58,617 lines while lines served over unbundled network facilities were

264,600, and lines served via CLEC-owned facilities were 148,691. As of December 2003, there were approximately 147 Commission approved interconnection agreements in effect between SBC Ameritech and its competitors. The Commission began implementing the FCC's Triennial Review Order (TRO) in 2003 by commencing contested cases to examine the need to continue UNE-P in various markets.

Broadband/Right-of-Way

Pursuant to the adoption of Public Act 48 of 2002, which was designed to stimulate the availability of affordable high-speed Internet by simplifying the permit process and standardizing fees for local rights-of-way access, the Commission acted as follows:

- On November 25, 2003, after collaborative meetings with the providers and municipalities, the Commission adopted mapping format requirements for the telecommunication providers pursuant to Section 6(8) of the METRO Act.
- During 2003, the Commission approved METRO Tax Credits for 48 providers and submitted this information to the Treasury Department for the processing of providers' tax filings.
- In compliance with Act 48, the permit activity report has been published on a monthly basis during 2003 and posted on the Commission's website. The Commission received

notices of permit approvals/denials from 551 municipalities. From this number, about 80% of the municipalities granted unilateral permits and the remainder granted bilateral permits.

Service Quality

The Service Quality staff processed 12,548 complaints. This was down from the previous three years (2000 – 20,851, 2001 – 19,875 and 2002 – 14,851). The staff coordinated 19 formal complaints during 2003. This was down from the 86 formal complaints handled during 2002 and 129 in 2001.

Billing issues remains the primary complaint category. Service quality was the second highest category, followed by slamming and telemarketing. During 2003 both the state and federal government passed laws to reduce the telemarketing problems. It is too early to tell if the laws had any effect on the number of complaints. The laws direct all complaints about telemarketing to the Michigan Attorney General, Federal Trade Commission or Federal Communications Commission.

Slamming (when a customer's telephone service is switched to another carrier without the customer's authorization) complaints continued to decline in 2003. The staff received 1,039 complaints down from 1,809 in 2002 and 2,369 in 2001.

The Division continued its efforts to upgrade its use of computer

technology to further reduce the processing time for complaint handling. Internal administrative improvements such as the utilization of the MPSC Call Center have also improved staff's ability to not only provide improved customer service, but also enhanced statistical analysis for identifying emerging trends.

Expansion of Local Calling Areas

Pursuant to Section 304 of the MTA, basic local exchange service providers with 250,000 or more end-users are required to offer a rate that includes toll-free calling to contiguous Michigan local calling exchanges. The MTA exempts providers serving less than 250,000 end-users from this requirement if it is not economically feasible. A number of smaller providers implemented expanded local calling: Ogden Telephone Company, Westphalia Telephone Company, Frontier Communications of Michigan, Lennon Telephone Company, and Carr Telephone Company. In late 2003, Sand Creek Telephone Company also requested approval to expand its local calling area. In each case, rates for basic local exchange service were increased to recover the cost of expanded local calling.

SBC Michigan 271 Application

On September 17, 2003, SBC's application to provide in-region, interLATA service in Michigan was approved by the Federal Communications Commission (FCC). In-region, interLATA service is commonly known as long-distance service, which SBC could not provide prior to the approval.

The application process was initiated in February 2000, by an MPSC order, which resulted in the development of a test plan to ensure that SBC could meet a 14-point checklist provided by the Federal Telecommunications Act of 1996. Throughout the process, the MPSC conducted collaborative meetings to obtain input from interested parties and a third-party contractor. Written comments were also requested by the MPSC at various stages of the process, and a public hearing was held in November 2002.

Area Code Relief

Implementation of Commission-ordered area code relief continued in 2003. The geographic split of the 616 area code created the 269 area code in southwest Michigan. The use of the 269 area code became mandatory on February 15, 2003.

Numbering Resource Optimization

The Commission submitted comments on number use optimization to the FCC on seven occasions in 2003. Topics included the use of telephone numbers in the contributory equation of the Universal Service Fund, increases in the utilization rates of telephone carriers, carrier waivers from thousand block number pooling responsibilities, expansion of thousand block number pooling, and the use of numbering resources in Voice over Internet Protocol (VoIP).

The North American Numbering Council (NANC) oversees the North American Numbering Plan Administrator (NANPA) and the Thousands Block Number Pooling

Administrator (PA) and advises on national numbering resource planning issues. Commissioner Nelson represents Michigan on the NANC.

Thousands Block Number Pooling

Historically, telephone numbers have been allocated to carriers in blocks of 10,000. Recent advances in technology have provided a method to recapture and allocate unused telephone numbers in blocks of 1,000, providing a much more efficient use of numbering resources. Number pooling is being utilized in the 313, 248, 947, 586, 616, 810, and 734 area codes.

Abbreviated Dialing Number: 2-1-1

In accordance with Sec. 214 of the Michigan Telecommunications Act, the MPSC approved entities in two counties to be community resource information and referral answering points, directing the implementation and use of the 2-1-1 abbreviated dialing number. In 2003, organizations in Kalamazoo and Ottawa Counties joined those in Calhoun and Kent Counties, designated in 2002, to enable citizens to dial directly to the county's designated call center to locate assistance with one call.

Universal Service Fund

In September 2003, the MPSC approved five wireless carriers as Eligible Telecommunications Carriers (ETC), to enable the recovery of designated costs to deliver service in rural or high cost areas, as determined by the federal Universal Service Fund Company

(USFC). Each October 1st, states must receive affidavits from all eligible ETCs that the funds they receive from the USFC will be used to provide rural telephone service as intended. In addition to the 5 new ETCs, the MPSC received affidavits from 40 wireline and wireless carriers who will be able to receive funds for 2004.

Electronic Tariffs

In an effort to streamline the tariff approval system, the Commission refined its tariff submittal and review process to take advantage of electronic mail and Web-based tariffs. The tariffs of 68 incumbent and competitive local providers are now available to the public on the Internet. This approach is more cost effective and provides customers with the ability to more easily compare the prices and terms of regulated services among the participating carriers.

**CASE ACTIVITY
2003**

Total Utility Cases Opened..... 493

Paper Cases.....147

Electric..... 22
 Gas.....17
 Telephone.....108

Appeals to Commission..... 87

Electric..... 4
 Gas..... 4
 Telephone..... 79

E-file Cases..... 193

Electric..... 61
 Gas..... 29
 Telephone.....103

Appeals to Commission..... 66

Electric..... 14
 Gas..... 6
 Telephone..... 46

Total Utility Orders Issued..... 567

michigan.gov/mpsc

Use of the MPSC website saw significant growth in 2003. Visitor sessions in 2003 totaled 1.5 million, an average of 125,000 a month or 4,100 a day and these number excluded any internal state government use. Nearly 7,400 total subscriptions, encompassing 2,100 unique subscribers, utilized the Web site's automated e-mail distribution lists in 2003. Commission meeting agendas, minutes, press releases, notices of hearing and opportunity to comment, and consumer alerts were delivered via 485,000 e-mail messages, an increase of 16 percent, reducing the time and expense needed for postal mailings.

The electronic filing applications also continued to see substantial growth in 2003. These systems comprise: the Electronic Case Filings program, the Intrastate Telecommunications Service Providers system, and the Michigan Oil and Gas Well Production filing system. The Efile web server had 133,000 visitor sessions during 2003, an average of 11,000 per month, a doubling of website activity from 2002. A total of 193 cases were electronically filed, including 61 electric, 29 gas, and 103 telecommunications, a 40 percent increase over 2002. Case participants electronically filed over 4,800 documents using this system. This eliminated the need to reproduce 53,000 paper copies. Four paper copies of filings have however still been required even in electronically filed cases. A move to eliminate any paper filings was initiated this past fall in a paperless pilot program for a limited number of cases. With the early success of this effort it is hoped that the requirement for paper filing in all electronically files cases will be eliminated this year.

Website Developments: A number of changes were made to the MPSC web site during 2003 to maintain and improve the site. Over 17,000 Commission orders dating back to 1960 were added to the website in a searchable database. A Michigan "Do Not Call" website was created in conjunction with the opening of the national "Do Not Call" registry and website. Activity on the website peaked the day the Do Not Call registry became available and was double the typical day usage. Additional projects currently under way include: changes to the hardware and network configuration of the Electronic Case Filings system; operational changes intended to streamline the hearing room and filing procedures; and expanded use of electronic signatures. These efforts are designed to make all MPSC cases available to electronic filings.



**“Serving Michigan...
Serving You”**

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