



Jennifer M. Granholm
GOVERNOR

STATE OF MICHIGAN
PUBLIC SERVICE COMMISSION
DEPARTMENT OF LABOR & ECONOMIC GROWTH
KEITH W. COOLEY
DIRECTOR

Orjiakor N. Isiogu
CHAIRMAN

Monica Martinez
COMMISSIONER

Steven A. Transeth
COMMISSIONER

March 3, 2008

Honorable Jennifer M. Granholm
Governor of Michigan

Honorable Members of the Michigan Senate

Honorable Members of the Michigan House of Representatives

The enclosed *2007 Annual Report* is submitted on behalf of the Michigan Public Service Commission in accordance with Section 5a of 1989 PA 33; MCL 460.5a. The report is also available on the Commission's website.

Throughout 2007, the Commission maintained its commitment to address the needs of Michigan's low-income and senior citizens, awarding \$72,000,000 for low-income energy assistance and \$20,000,000 for low-income energy efficiency from the Low-Income and Energy Efficiency Fund. The awards provide immediate assistance for heating needs as well as longer term assistance in reducing future heating costs for low-income and senior citizens.

The Commission continued its consumer outreach efforts by hosting statewide consumer forums, making its Commission meetings available via podcast, handling 32,740 calls on its toll-free line, and assisting consumers and businesses with more than 9,244 electric and natural gas and 6,604 telecommunications complaints and inquiries.

The Commission issued 486 orders, consisting of 167 telecommunications, 165 electric, 69 natural gas, and 85 motor carrier orders.

Among the orders issued by the Commission during 2007 were approvals of the construction of eight new natural gas pipelines and issuance of a certificate of public convenience and necessity for the construction of an electric transmission line.

At the request of the City of Battle Creek and SEMCO Energy Gas Company, the Commission accepted regulatory oversight of the rates, terms, and conditions of natural gas service in the City of Battle Creek and neighboring areas.

The Commission also revised the retail natural gas rates of SEMCO Energy Gas Company and Consumers Energy Company and the retail electric rates of Wisconsin Public

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Service Corporation, Alpena Power Company, and Wisconsin Electric Power Company, d/b/a We Energies.

The Commission revised a number of its administrative rulemakings, including a complete revision of its Consumer Standards and Billing Practices Governing Electric and Gas Residential Service.

The Commission granted regulatory approvals requested by Consumers Energy Company associated with the utility's sale of its Palisades Nuclear Power Plant. In so doing, the Commission ordered the utility to refund \$255 million to its electric ratepayers during 2007 and 2008. The Commission estimated that the transaction will result in up to \$700 million in additional energy savings over the next 15 years.

Finally, the Commission fulfilled the statutory obligation embodied in Section 10(3) of the Uniform Video Services Local Franchise Act, 2006 PA 480 (the Act), by proposing to the Legislature a process to be added to the Act that would allow the Commission to review (1) unresolved disputes between a provider and its customer, (2) disputes between a provider and a franchising entity, and (3) disputes between providers.

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

Very truly yours,

Orjiakor N. Isiogu, Chairman
Michigan Public Service Commission

Monica Martinez, Commissioner
Michigan Public Service Commission

Steven A. Transeth, Commissioner
Michigan Public Service Commission

2007 ANNUAL REPORT
MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman
Monica Martinez, Commissioner
Steven A. Transeth, Commissioner

MICHIGAN PUBLIC SERVICE COMMISSION
Department of Labor & Economic Growth

March 3, 2008

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Commissioner Profiles

Orjiakor N. Isiogu, Chairman

Orjiakor N. Isiogu was appointed to serve as Chairman of the Michigan Public Service Commission by Governor Jennifer M. Granholm on September 9, 2007. His term expires July 2, 2013.



Mr. Isiogu most recently served as the Director of the Telecommunications Division of the Michigan Public Service Commission since 2003. The Telecommunications Division is responsible for providing the Commission with technical assistance and policy recommendations on telecommunications issues affecting the state of Michigan and its citizens. In this role, he advised the Commissioners in all activities relating to the regulation of basic local telephone services, Emergency 9-1-1 service, telephone service for the speech and hearing impaired, and all other state regulatory requirements as defined by Public Act 179 of 1991, known as the Michigan Telecommunications Act, and the federal Telecommunications Act. In addition, Mr. Isiogu was responsible for the administration of the Michigan Children’s Protection Registry Act (2004 PA 241) and the Uniform Video Services Local Franchise Act (2006 PA 480).

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

Mr. Isiogu serves as Chairman of the State of Michigan’s Energy Advisory Committee. The Energy Advisory Committee is charged with the responsibility of determining whether an energy emergency is imminent and is required to notify the Governor of an impending energy emergency. In addition, Mr. Isiogu is a member of the Michigan Highway Reciprocity Board, the Michigan Relay Center Advisory Board, the Emergency Telephone Services Committee, the Renewable Fuels Commission, and the Climate Action Council.

Mr. Isiogu earned his law degree from Wayne State University Law School in Detroit, Michigan, and holds an undergraduate degree in political science from Wayne State University.

Monica Martinez, Commissioner

Monica Martinez was appointed by Governor Jennifer M. Granholm to the Michigan Public Service Commission on July 3, 2005. Her appointed term expires July 2, 2011.

Since joining the Commission, Commissioner Martinez has taken an active role in issues relating to consumer education and awareness, energy efficiency and renewable energy development, and low-income and senior citizen energy assistance. She has led new Commission efforts promoting lifeline awareness and summer energy conservation. The Governor recently appointed her to the Climate Action Council. As a member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Consumer Affairs, she has supported efforts for uniform data collection on energy arrearages and calls for additional federal Low-Income Home Energy Assistance Program (LIHEAP) funding. She is also a member of the NARUC Committee on Telecommunications and its Federal Regulatory Subcommittee, which is currently examining special access. She is the current Vice-President of the Mid-America Regulatory Conference and serves on the Federal Interstate Telecommunications Relay Services Advisory Council. The Organization of MISO States selected her to serve on the Midwest ISO Advisory Committee and as a member of its Executive Committee.



Prior to her appointment to the Commission, Ms. Martinez served as Deputy Director of the Governor's Legislative Affairs Division, with primary responsibility as liaison to the Michigan Senate. Prior to her position in the Executive Office, she served as a policy advisor to the Michigan Senate Democratic Office where she specialized in telecommunications, energy, human services, and family law policy issues. Before joining the Senate Democratic Office, Ms. Martinez served at the Alumni Association of the University of Michigan and the Center for Corporate and Professional Development at UM-Dearborn.

Ms. Martinez earned her undergraduate degree in economics and political science at the University of Michigan.

Steven A. Transeth, Commissioner

Steven A. Transeth was appointed by Governor Jennifer M. Granholm to the Michigan Public Service Commission on July 16, 2007. His appointed term expires on July 2, 2009.

Commissioner Transeth is a member of the National Association of Regulatory Utility Commissioners and has been appointed to the Committees on Critical Infrastructure and Gas and also the Subcommittee on Nuclear Issues-Waste Disposal. Commissioner Transeth also represents Michigan as a board member to the Organization of PJM States, Inc.



For 21 years Commissioner Transeth served as Assistant Director and Legal Counsel for the non-partisan Michigan Legislative Service Bureau. Mr. Transeth was responsible for drafting legislation and providing legal counsel to the Michigan Senate and House of Representatives in the areas of energy, technology, public utilities, and local government. He served as the lead drafter for the following major pieces of legislation: Michigan Telecommunications Act, (1991, 1995, 2000, and 2005), Customer Choice and Electricity Reliability Act, Uniform Video Services Local Franchise Act (cable television), Michigan Child Protection Registry Act, Michigan Broadband Development Authority Act, Unsolicited Commercial E-Mail Protection Act, Michigan Zoning Enabling Act, and Emergency Telephone Services Act (9-1-1). Prior to his time with the Michigan Legislature, Mr. Transeth was with the Ingham County Prosecuting Attorney's office for six years and in private practice for four years.

Commissioner Transeth is a graduate of Thomas M. Cooley Law School and holds a master's degree and bachelor's degree from Michigan State University.

Mission and Goals

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

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 (Commission) has a budgetary appropriated staff of 159¹ full-time employees (FTEs), organized into six 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) Motor Carrier, Energy Grants & Information Division, which is primarily responsible for licensing, grant administration, critical infrastructure protection, and data analysis; (3) Operations & Wholesale Markets Division, which is primarily responsible for ensuring safe, adequate, and reliable energy supplies; (4) Regulated Energy Division, which is primarily responsible for electric and natural gas utility ratemaking functions; (5) Service Quality Division, which is primarily responsible for assisting utility customers and enforcing Commission rules related to customer service; and (6) Telecommunications Division, which is primarily responsible for all aspects of the Commission's authority related to telecommunications services.

The Commission also has an Administration Section, which is responsible for office management, personnel, and budget functions, as well as a State and Federal Legislative Liaison, and a Media and Public Information Specialist. In addition, the State Office of Administrative Hearings and Rules maintains an office of Administrative Law Judges at the Commission's location, 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 15.1 per million population compared to the national average of 30.8 and an average of 24.1 in other Great Lakes states.

Calendar year 2007 was a year of significant transition for the Commission and its Staff. Governor Granholm appointed two new Commissioners, Chairman Orjiakor N. Isiogu in September and Commissioner Steven A. Transeth in July, to fill vacancies created by the departures of Laura Chappelle and J. Peter Lark. In addition, an unusually large number of Staff left Commission employment to pursue other job opportunities or retirement during 2007. Staff departures included a number of highly qualified personnel, some with years of experience and institutional knowledge. Several were high-level managers, including three of the Commission's five division directors. (One of the vacancies at the director level resulted from Chairman Isiogu's appointment; he previously had served as Director of the Telecommunications Division.)

Unfortunately, this dislocation in personnel came at a time of intense work activity centering around several large, complex rate cases, in which hundreds of millions of dollars of requested rate relief are being litigated. The result was unavoidable delay, and other important priorities had to be sidelined. The Commission has been able to fill most of the higher level

¹ While the budgetary staffing number for 2007 was 159, as of December 31, the actual Commission staffing was 147.

vacancies by promoting qualified persons within the agency. Promoting internally creates ripple effects, as each promotion results in a new vacancy. The Commission will continue its efforts to attract and retain talented people to its ranks, but it also anticipates that the challenge of managing pressing matters with limited resources may continue. The Commission reiterates its need for adequate allocations of personnel and resources in order to be able to serve the public interest effectively.

Organizational Chart

Orjiakor N. Isiogu, Chairman
Monica Martinez, Commissioner
Steven A. Transeth, Commissioner

Administrative Law Judges
James N. Rigas
Reporting to SOAHR

Commission Executive Staff

Regulatory Affairs
Robert W. Kehres

Bureau Administrator
Gary Kitts

Administration Section
Tom Gray

Executive Secretary Section
Mary Jo Kunkle

Motor Carrier,
Energy Grants &
Information
Michael Fielek

Operations &
Wholesale Markets
Paul Proudfoot

Regulated Energy
Nicholas Nwabueze

Service Quality
Michel Hiser

Telecommunications
Robin Ancona

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.

Division Reports

Regulatory Affairs Division

Robert W. Kehres, Director

The Regulatory Affairs Division provides the Commission with legal, technical, and research expertise, and other administrative duties performed by the Executive Secretary Section, including maintaining the security of all official records, providing appropriate access to records, distributing all official Commission documents, coordinating court reporting functions, and responding to Freedom of Information Act (FOIA), 1976 PA 442, MCL 15.231 *et seq.*, requests.

The Commission issued 486 orders. The issued orders consisted of 167 telecommunications, 165 electric, 69 natural gas, and 85 motor carrier orders.

Mary Jo Kunkle, Executive Secretary

Case Documents and Processing

The Commission received and processed 6,345 official pleadings from applicants, respondents, intervenors, and other interested persons.

The Commission issued 180 notices of hearing and notices of opportunity to comment. These notices were distributed to subscribers and parties, submitted for publishing where applicable, and posted to the Commission's website. Court reporters were scheduled for 314 Commission hearings.

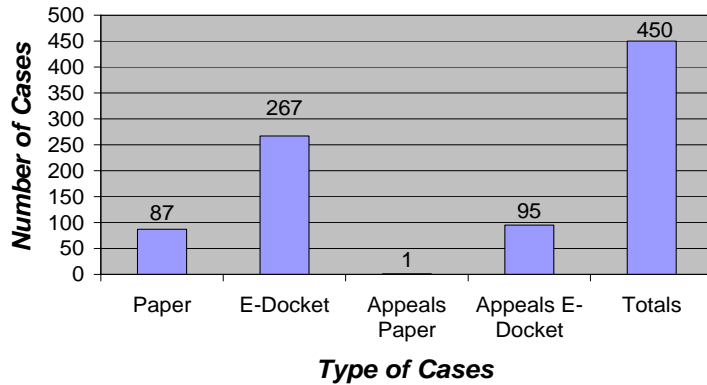
The Commission provides nearly instant notice of Commission's own motion orders through an automated electronic notification system for natural gas, telecommunications, and electric industry officials, and interested parties. A total of 214 telecommunications industry representatives and 91 electric and natural gas representatives have subscribed to the automated electronic subscription list, reducing the Commission's copying and distribution costs and providing interested persons with nearly instant access to Commission orders.

The Commission posted 6,950 documents that utility companies, intervenors, Commission Staff, Administrative Law Judges, the Attorney General, ratepayers, and court reporters electronically filed to the e-docket system, continuing the Commission's efforts to improve document processing efficiencies. Parties to the cases, other interested persons, and the general public enjoyed the convenience of 24-hour access to all electronic case records via the Internet. The success is evidenced by the downloading of nearly 3.2 million e-filed documents from the Commission website.

Paperless Electronic Filings

The Commission expanded the paperless electronic program to include all cases filed with the Commission, other than residential and small business complaints. In 2007, the Commission received 267 paperless electronic cases. Since the program began in September 2003 through December 31, 2007, 708 paperless electronic cases have been filed with the Commission.

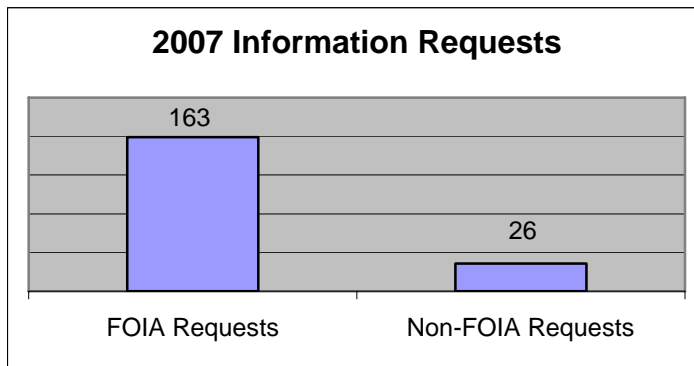
2007 Commission Case Activity



The Commission continued to test a new case tracking system, Legal Edge, which is designed to improve administrative efficiency. Once implemented, all pertinent case status information will be available on the Internet and tied directly to the e-docket system. The Legal Edge system is expected to be implemented in early 2008.

Information Requests

The Commission responds to information requests under Michigan’s Freedom of Information Act (FOIA) as well as non-FOIA requests from regulated utility companies, the legal community, case proceeding participants, and the public on a broad range of issues. The Commission provided written responses to 189 information requests.



Michigan Public Service Commission Annual Report

On March 2, 2007, the Commission submitted its annual report to Governor Jennifer M. Granholm and the Michigan Legislature as required by Public Act 33. The report was submitted electronically in order to reduce copying and distribution costs.

Motor Carrier, Energy Grants & Information Division

Michael Fielek, Director

The Motor Carrier, Energy Grants & Information Division is responsible for providing technical and administrative support to the Commission in the areas of motor carrier regulation, low-income energy assistance and efficiency grants, energy emergency preparedness, critical infrastructure protection, and energy data and analysis. The division is comprised of four sections: Motor Carrier Credentials & Customer Service, Motor Carrier Safety & Compliance, Energy Grants, and Energy Data & Security.

Motor Carrier Regulation

Applications for Intrastate Authority

Motor carriers operating solely in intrastate commerce are required to obtain operating authority from the Commission. In 2007, the Commission received 337 applications for original operating authority. In addition, 39 applications for transfer to new ownership, 9 changes of operating name, 71 temporary and 39 permanent discontinuances of authority, and 20 reinstatements of authority from discontinuance were processed. The Commission also granted 155 requests for temporary operating authority.

The annual renewal of active and temporarily discontinued intrastate operating authorities was initiated on October 18, 2007 with the mailing of 1,814 renewal forms. As of December 31, 2007, more than 3,041 Commission decals were issued for 2008.

Insurance Filings

Each motor carrier applying for intrastate authority is required to submit proof of commercial public liability/property damage (PL/PD) insurance. Over 2,000 PL/PD policies were received and processed in 2007.

Decals and Special Identification Cards

Intrastate carriers are required to register power units that are utilized in their authorized operations. Decal sales generated \$658,937. Carriers may also purchase and utilize a 72-hour Special Identification Card (SID) for \$10.00, valid for one year, which may be utilized as a temporary substitute for a Commission decal. Sixty-five of these SIDs were issued in 2007.

Safety and Compliance

The Commission reviewed 397 applications requesting intrastate for-hire authority and the transfer of existing authority to ensure compliance with truck safety requirements, including carrier's safety policy, drug and alcohol testing policy, and driver qualifications.

Household Goods Carriers' Regulation

Household goods carriers are required to file and maintain tariffs with the Commission. In 2007, 70 amendments and additions to tariff filings were submitted for Commission approval. In addition, 22 new applications for household goods authority were processed.

Governor Granholm signed into law 2007 PA 33, MCL 475.1 *et seq.* (Act 33), which will result in major changes in how household goods movers will operate in Michigan. Among other things, Act 33 eliminated the local mover exemption from 1933 PA 254 (Act 254) and requires all household goods carriers to obtain authority from the Commission. Act 33 also removed the tariff requirement from household goods movements 40 miles or less from the point of origin and improved some of the consumer protection features of Act 254.

Unified Carrier Registration Program

Public Law 109-59, the "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" or "SAFETEA-LU," was signed into federal law on August 10, 2005. "Subtitle C – Unified Carrier Registration Act of 2005" was included within this public law and

sets forth various changes to Title 49 of the U.S. Code relating to regulation of motor carrier activities. The SAFETEA-LU requires that a Unified Carrier Registration (UCR) System be established to replace, among other things, the Single State Registration System (SSRS), effective January 1, 2007.

The Commission is preempted from requiring intrastate carriers with registered interstate operations to pay fees and complete annual renewals of authority and vehicle registration. The loss of related SSRS registration fees and intrastate and interstate decal and renewal revenues (\$7,520,717) was to be replaced by revenues generated under the UCR system. Unfortunately, the UCR program was not fully authorized until September 2007.

The Commission has registered as a participating member state of the UCR program and began implementing the UCR program in September 2007. UCR application forms were mailed to private, for-hire, and exempt carriers operating in interstate commerce, as well as interstate brokers, freight forwarders, and leasing companies in both Michigan and the Province of Ontario. As of December 31, 2007, Michigan's UCR account balance was \$3,062,890. These funds, by federal law, are required to be used for motor carrier safety programs, enforcement, or the administration of the UCR plan and agreement.

Other Activities

The Staff chaired the Motor Carrier Advisory Board. The Staff also began a multi-year project to revise its Motor Carrier Information System to be completed in 2008.

Energy Grants

Low-Income and Energy Efficiency Fund

The Customer Choice and Electricity Reliability Act, 2000 PA 141 (Act 141), MCL 460.10a *et seq.*, authorized the creation of the Low-Income and Energy Efficiency Fund (LIEEF), administered by the Commission via grants to qualifying organizations. The purpose of the fund is to provide shut-off and other protection for low-income customers and to promote energy efficiency by all customer classes.

On May 4, 2007, Governor Granholm signed 2007 PA 7, which among other things, contains the following provisions:

Of the funds appropriated in part 1 for low-income energy efficiency assistance, \$22,000,000.00 shall be allocated to the Department of Human Services to support low-income energy assistance programs. The Department of Human Services shall follow Public Service Commission guidelines and requirements for expending low-income energy assistance funds. The Department of Human Services shall report to the Public Service Commission on expenditures for this program by December 1, 2007.

On May 22, 2007, the Commission issued an order awarding a \$22 million energy assistance grant to the Michigan Department of Human Services to provide shut-off and other protection, through financial assistance for low-income customers.

On August 21, 2007, the Commission issued an order awarding \$50 million in low-income energy assistance grants to eight organizations. The Commission authorized the release of these funds through its administration of the LIEEF. The table below summarizes the August 21, 2007 low-income energy assistance grants awarded by the Commission:

Organization	Amount Awarded
Department of Human Services	\$30,900,000
Downriver Community Conference	\$500,000
Lighthouse Emergency Services	\$200,000
Michigan Community Action Agency Association	\$5,000,000
Newaygo County Community Services	\$1,000,000
Society of St. Vincent de Paul of Detroit	\$400,000
The Heat and Warmth Fund	\$6,000,000
The Salvation Army	\$6,000,000

On August 21, 2007 the Commission also awarded \$20 million in low-income energy efficiency grants to the following nine organizations:

Organization	Amount Awarded
Department of Human Services	\$13,925,000
Habitat for Humanity of Michigan	\$275,000
Michigan Community Action Agency Association	\$2,000,000
Michigan GREEN	\$500,000
Newaygo County Community Services	\$600,000
Nova Development Group of Detroit, LLC	\$1,400,000
United Way Community Services for Southeastern Michigan	\$500,000
Urban Options, Inc.	\$600,000
Warm Training Center	\$200,000

The total annual funding for the LIEEF is \$83,821,000 with funding from the following sources:

Company	Case No.	Amount
The Detroit Edison Company	U-13808	\$39,858,000
Consumers Energy Company (Electric)	U-14347	\$26,536,000
Consumers Energy Company (Gas)	U-14547	\$17,427,000

The Commission's Annual Report on the LIEEF was prepared and submitted on June 1, 2007 to the state budget office, fiscal agencies, and legislative subcommittees in compliance with 2007 PA 118.

Energy Data & Security

Energy Emergency Preparedness

Pursuant to 1982 PA 191, MCL 10.81 *et seq.* (Act 191), the Commission's Energy Data & Security Staff monitors the state's overall energy supply as part of its responsibility for Michigan's energy emergency preparedness. Chairman Orjiakor N. Isiogu serves as the Chairman of the Energy Advisory Committee created by this Act, which includes all energy resources. The Commission Staff serves as the Emergency Management Coordinator for the Department of Labor & Economic Growth and coordinates the department's emergency response and preparedness efforts. During 2007, work began on preparing a Continuity of Operations Plan for the department, and Staff continued its participation in the interdepartmental Pandemic Influenza Coordinating Committee.

As part of its energy emergency preparedness responsibilities, the Commission Staff participated in a number of emergency exercises involving disaster response, nuclear plant drills, and responding to an energy emergency. Training was also provided on emergency communication procedures and designated state personnel received training on the incident management software used to manage the state's emergency and disaster response.

In early summer of 2007, significant events occurred that affected gasoline supplies and prices in Michigan. In late March, the BP refinery at Whiting, Indiana was partially shutdown as a result of fire. The Whiting refinery, the largest refinery in the Midwest at 420,000 barrels per day (bpd), had its capacity reduced by 50 percent. Then, in April, a loss of steam power caused

BP to shut down its 160,000 bpd Toledo, Ohio refinery, which resulted in the loss of half of its production until about mid-May. The effect of these refinery problems was amplified as a result of low gasoline inventories and resulted in significant gasoline price increases. In July, another problem at the Whiting refinery caused a further temporary reduction in refinery production resulting in a second run up in gasoline prices in mid-July. The loss of this supply forced consideration of contingencies to assure adequate retail supply; however, the refinery was able to secure additional supplies and resumed production before further actions were required.

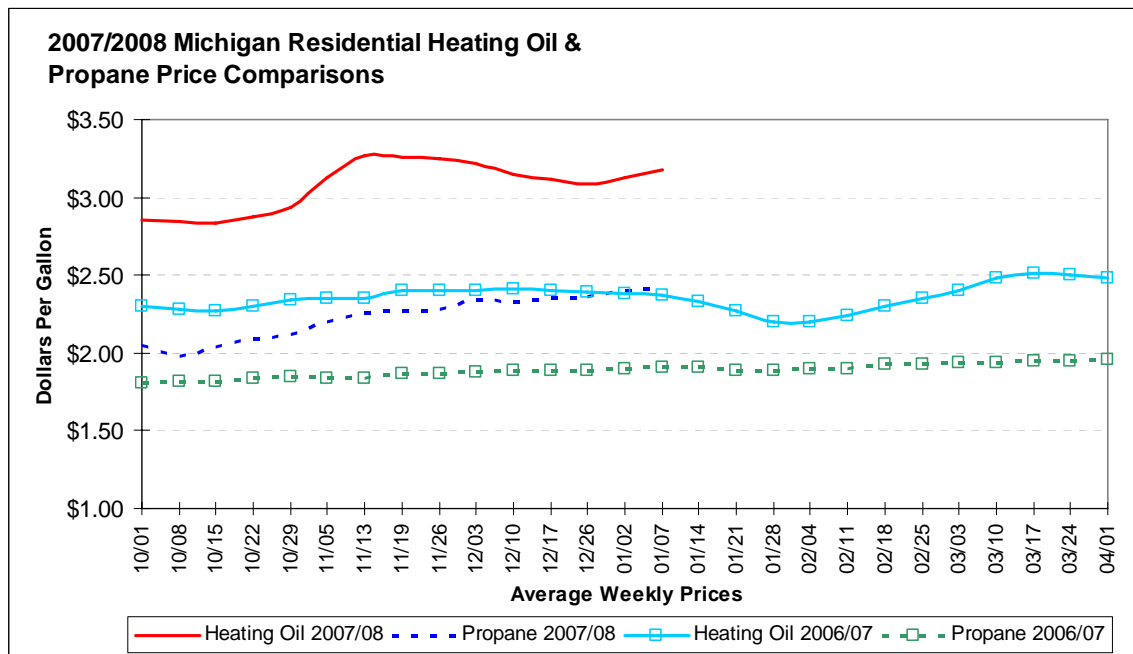
Critical Infrastructure

One goal of the Commission is to “[a]ssure the security of the State’s critical infrastructure by promoting homeland security.” This goal is being pursued by the Commission as part of the state’s overall Homeland Security Strategy through work with the private sector and other state and local agencies to find ways to improve protective measures and build greater resiliency within the state’s critical energy and telecommunications infrastructure. The Commission Staff serves on the Michigan Homeland Security Preparedness Committee and the Michigan Homeland Security Advisory Council. The Commission Staff represented the National Association of Regulatory Utility Commissioners and the National Association of State Energy Officials on the Energy Sector’s Government Coordinating Council established under the National Infrastructure Protection Plan. In this role, state concerns were incorporated in the Energy Sector Specific Plan released in May 2007. Under a grant from the U.S. Department of Homeland Security, the Commission Staff sponsored workshops in Marquette and East Lansing to provide energy facility owner/operators and first responders information regarding safety and emergency response at energy facilities. Over 160 participants from utilities, police, fire, and the emergency response community attended the two workshops.

Energy Monitoring

The Commission issues a short-term energy forecast of supply and demand each spring and fall. The semi-annual Energy Appraisal Report focuses on factors and market trends that impact price supply and availability. During the winter months, the Commission conducts a weekly survey of residential heating oil and propane prices that are posted on its website.²

Although the Commission does not regulate heating oil and propane prices, it does monitor these energy markets under a grant from the Energy Information Administration and, as part of its duties, monitors the state's overall energy supply and demand. The graph below provides residential heating oil and propane price comparisons for the winter heating season 2007/2008. The Commission also assisted in maintaining the website that provides extensive information on gas prices and regulatory requirements.³ With a renewed public interest in energy matters, the Commission responded to a number of inquiries for data on Michigan's energy use, supply, and prices throughout 2007.



² See, <http://cis.state.mi.us/mpsc/reports/shopp>.

³ See, www.michigan.gov/gasprices

Operations & Wholesale Markets Division

Paul Proudfoot, Director

The Operations & Wholesale Markets 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. The division also monitors federal and regional electric and natural gas issues and recommends policy proposals at the federal and regional levels. Three sections comprise the Operations & Wholesale Markets Division: Gas Operations, Electric Operations, and Energy Markets.

Commission Orders

Number of Orders Issued by Type and Industry (2007)	
Act 69 Franchise	2
Complaint	1
Conservation and Efficiency	2
Gas Storage	5
Interconnection	2
Integrated Resource Plan	1
Pipeline	8
Renewable Energy	6
Safety and Reliability	8
Total	35

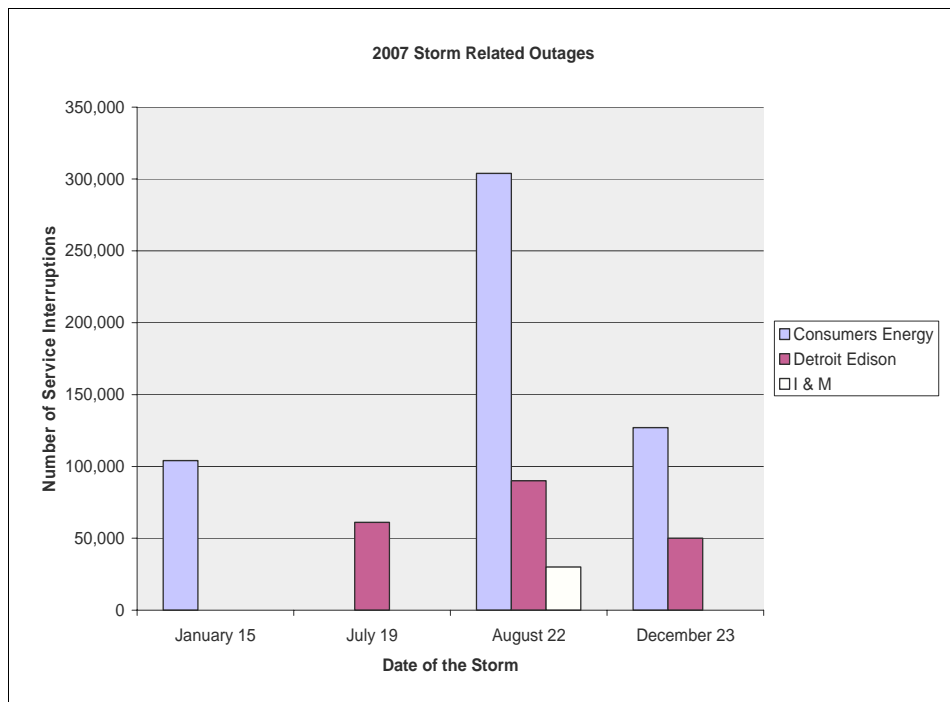
Safety and Reliability

The Commission monitored a number of energy related emergency and outage events during 2007. Problems with the transmission system in northern Wisconsin and the Upper Peninsula, coupled with incidents at the Presque Isle generation plant, continued to require Commission attention. The Commission also continued to closely monitor the capacity and load

of Consumers Energy Company and The Detroit Edison Company during the summer period. A number of Maximum Generation Alerts, Warnings, and Events for the Midwest Independent System Operator, Inc. (Midwest ISO or MISO) region were monitored although most did not directly impact the Michigan system. However, MISO issued alerts for the Michigan portion of the region on July 31 and October 8 which were monitored and reviewed with Michigan operators.

The Commission also monitored utility efforts to restore electric service after storm events. There were four major storms in Michigan in 2007:

2007 Major Storms



- On January 15, 2007, a severe ice storm caused the loss of power to 104,091 Consumers Energy customers.
- On July 19, 2007, high winds and thunderstorms caused the loss of power to 61,000 Detroit Edison customers.

- On August 22, a strong storm pattern with straight line winds and heavy lightning caused outages in a wide area of lower Michigan. Three hundred and four thousand Consumers Energy customers lost power, along with 90,000 Detroit Edison customers and 30,000 Indiana Michigan Power Company customers.
- Finally on December 23, 2007, a wind storm heavily damaged portions of the Consumers Energy system, placing 127,000 customers out of service. Approximately 50,000 of Detroit Edison's customers lost power during the same storm.

Pipelines and Storage Fields

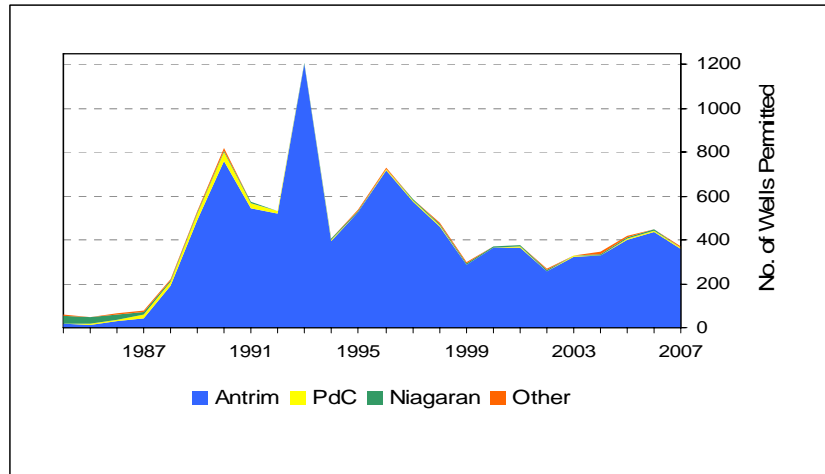
The Commission issued eight pipeline orders. Generally, natural gas pipelines are used to deliver natural gas from Michigan gas wells to markets both within and outside of the state. These orders followed Commission determinations that the proposed natural gas pipelines were practicable, met the requirements of the Michigan Gas Safety Standards, and served the public convenience and necessity. In addition, the Commission issued orders approving the operation of two new storage fields in Michigan and increased the capacity and deliverability of three other gas storage fields. When completed, Michigan will have a working gas storage capacity of 667 billion cubic feet (Bcf), which is more storage working capacity than any other state.

Natural Gas Production and Permitting

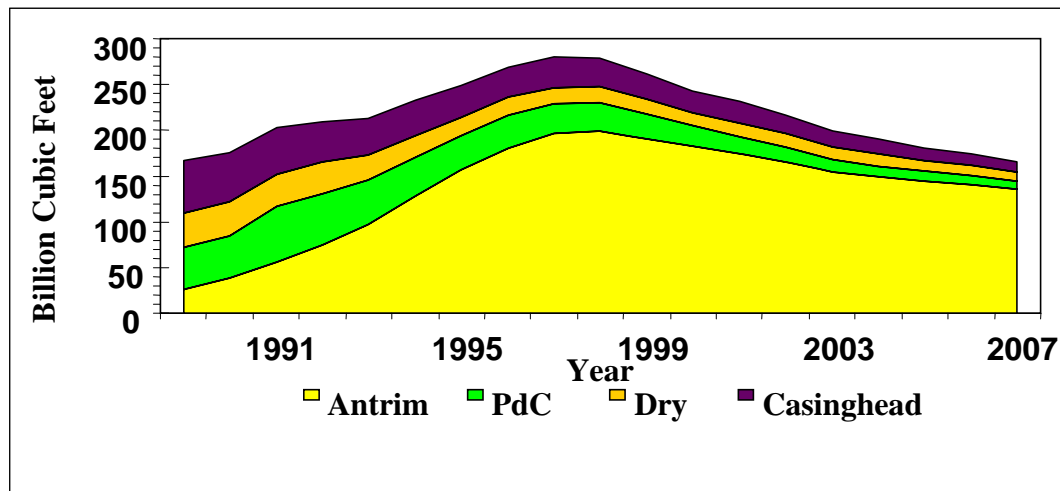
In 2007, the Commission issued 368 gas well connection permits (82 less than in 2006), with the majority of those permits (359) issued to wells in the Antrim shale formation. The Antrim shale formation is a shallow gas producing reservoir which is producing across the northern part of the lower peninsula of Michigan. Other predominant natural gas producing formations in Michigan are the Prairie du Chien (PdC), a deep sandstone reservoir in the central part of the Lower Peninsula, and the Niagaran reef formation which occurs in two trends of reefs in the Lower Peninsula. Dry gas refers to natural gas produced primarily from the Niagaran reef formation. Casinghead gas production refers to the gas production that is associated with oil wells. There is no gas or oil production in the Upper Peninsula. Total gas production in 2007

is estimated to be 160 billion cubic feet compared to 175 billion cubic feet for 2006. Antrim gas wells provided approximately 85 percent of the total.

Permits Issued by Michigan's Gas Producing Formations



Gas Production Volumes by Michigan's Gas Producing Formations



Federal and Regional Issues

The price and reliability of Michigan's electric and gas supply are significantly affected by federal and regional decisions. In Michigan, nearly all electric transmission lines and interstate gas pipelines are regulated by the Federal Energy Regulatory Commission (FERC).

With the establishment of independent regional transmission operators (RTOs), the management of the electric transmission system and dispatch of most generators in Michigan are done by RTOs under FERC-approved tariffs and procedures. Most Michigan electric utility customers are served by entities in the Midwest ISO. The RTO for a small portion of southwest Michigan, served by Indiana Michigan Power Company, is the PJM Interconnection (PJM).

In addition to its own orders, the Commission speaks through its comments, interventions, and positions in FERC and related judicial and agency proceedings. In 2007, the Commission participated in 10 FERC dockets ranging from support for MISO-initiated tariff changes that could save \$61 million in incorrectly distributed transmission charges, to modifications to the allocation of the cost of network upgrades necessary to interconnect new generators.

The Commission also coordinates regulatory oversight and formulates policy in the working group and board of director processes of the Organization of MISO States (OMS) and the Organization of PJM States, Inc. (OPSI). These regional entities are made up of all the state commissions in their respective RTOs. Commissioner Monica Martinez is on the OMS Board of Directors, serves as the at-large member of the OMS Executive Committee and holds one of three state regulatory sector votes on the MISO Advisory Committee. Commissioner Steven A. Transeth is a member of the OPSI Board of Directors.

Most notable among the OPSI work has been a settlement reached with PJM and other stakeholders on controversial issues surrounding the independence of PJM's market monitor. The OMS priorities in 2007 were critiquing and fine-tuning the new ancillary service market design scheduled for launch in spring 2008 that is calculated to achieve annual benefits of \$147 to \$301 million, and providing state regulatory input on the Midwest ISO's long-term resource

adequacy filing made at the end of 2007. With primary responsibility for and regulatory jurisdiction over resource adequacy issues granted by the Energy Policy Act of 2005 (EPAAct 2005), OMS has worked diligently in the MISO stakeholder process and with MISO management on its resource adequacy filing.

Other priorities have included implementing joint open transmission planning and post-transition pricing methodologies, and cost allocation for transmission facilities to prevent undue discrimination and preference. The Commission continues working to assure ongoing state regulatory access to market and planning information, including its commitment to provide input on natural gas issues that affect the price and availability of natural gas to meet the state's needs.

Customer Generation

The Commission's investigation into the interconnection of independent power producers with a utility's system continued during 2007. As part of the investigation, the Commission directed the Staff to convene a public meeting and issue a report by January 31, 2007 on electric utility interconnection procedures, including the identification of any problems or deficiencies in the existing interconnection procedures, and proposals for the development and implementation of remedies. After the Staff filed its report, the Commission approved certain recommendations, including the establishment of biennial utility interconnection reporting, and directed the Staff to continue its work on net metering and interconnection issues and provide further reports in May and September 2007. A docket was created for submission of proposed revisions to interconnection rules.

Michigan Renewable Energy Program

Interest in Michigan renewable energy grew substantially in 2007. During 2007, the Commission Staff involved with the Michigan Renewable Energy Program (MREP) frequently engaged in analytical work regarding Michigan renewable energy on behalf of the Commission, and often responded to inquiries made by the State Legislature while becoming actively engaged in drafting renewable energy related legislation. These efforts included assisting the [Land Policy Institute \(LPI\)](#) at Michigan State University (MSU) in the production of two reports on wind energy in Michigan.

The MREP Staff also provided technical assistance for the preliminary [Wind Prospecting Tool geographic information system \(GIS\)](#), which is under development at MSU's LPI. The long-term vision for this project, as conceived by participants in the MREP collaborative, is to develop a comprehensive GIS for all of Michigan's renewable energy resources.

In 2007, the MREP Staff produced and filed with the Commission three major reports: the *2006 MREP Data Report*, the *2006 MREP Annual Report*, and the *2006 MREP Net Metering Program Report* for the year ended June 30, 2006. The Commission issued an order on November 8, 2007 in Case No. U-15440, inviting comments on those reports to be submitted by January 4, 2008.

On February 27, 2007, the Commission issued an order in Case Nos. U-15113 and U-15239 directing Staff to work with interested parties in a collaborative format, to develop recommendations for achieving "faster and less complex interconnection procedures," and to try to achieve a new consensus "on a simplified approach for net metering for inverter based systems smaller than 10 kilowatts" (Order, p. 10). The Staff filed its [Report on Net Metering and Electric Utility Interconnection Issues](#) with the Commission on October 1, 2007. That report

included a series of recommendations, including several that were based on the consensus of the workgroup participants. A consensus was not reached on net metering, but a Staff proposal was included in the report. Implementing many of the consensus recommendations will require a rewriting of the current [Michigan Interconnection Standards](#), which is presently proceeding in [Case No. U-15239](#).

On April 3, 2007, the Commission issued an order in Case No. U-14569, approving a voluntary renewable resources program for customers of Detroit Edison. This approval represented the culmination of a process that had started in mid-2005. Detroit Edison began marketing its new GreenCurrentsSM renewable energy rate to customers, and by the end of 2007 the company reported 6,822 customers had already voluntarily subscribed to purchase at least a portion of their electricity from renewable sources. Detroit Edison also reported the completion of contracts with four new Michigan renewable energy facilities. The company's first annual report to the Commission on this program is due March 31, 2008.

At the end of 2007, customer participation in Consumers Energy's Green Generation green pricing program had reached 11,660 customers. On November 8, 2007, the Commission approved Consumers Energy's request to add an additional payment option to the program. The new payment option will be available for customers who purchase a minimum of 8,000 Renewable Resources Program participation certificates per month

In the Commission's April 24, 2007 order in Case No. U-15278, the Commission opened a proceeding for the purpose of implementing smart grid infrastructure initiatives. Among the potential benefits of smart grid infrastructure is the facilitation of simpler net metering and other tariffs for interconnected renewable energy resources. The MREP Staff and interested parties are

participating in this workgroup process and will encourage smart grid initiatives that will support continued growth in opportunities for customer-sited renewable energy systems.

The MREP Staff made presentations at over a dozen renewable energy conferences and workshops in 2007, and also participated in planning two major Michigan wind energy conferences. One was the National Wind Coordinating Council (NWCC) business meeting and a *Wind Energy and Economic Development Forum* co-sponsored by WindPowering America and the NWCC in April. The second was the sold-out symposium, *Manufacturing and Developing Wind Systems in Michigan*, in September. Both events were held at MSU. The September two-day event included an address by Governor Jennifer M. Granholm, and included sessions on a variety of topics. In addition, the *Michigan Wind Energy Manufacturing Working Group*, now headed by staff from NextEnergy, helped to schedule approximately 50 one-on-one meetings between major international wind generator manufacturing companies and Michigan firms capable of manufacturing specific wind generator components. Approximately two dozen Michigan companies are in the business of providing component parts and services to the wind industry, and many more are positioning themselves to take an active role in this fast-growing industry. Two new wind component factories in Michigan were announced in 2007: Dowding Industries in Eaton Rapids with a projected 200 employees and Allegheny Technologies, Inc. Casting Service in Alpena with 150 employees.

Michigan's Renewable Fuels Commission (RFC) was established by the State Legislature in July 2006 and is presently slated to continue through the end of 2009. The RFC's *Initial Report* was presented to the Legislature and Governor in June 2007. That report included 42 recommendations, including proposals for a variety of financial incentives. The report (p. 3) supported the goal of "achieving 25 percent use of renewable fuels by 2025 as part of the overall

carbon reduction strategy for the state.” Former Commission Chairman J. Peter Lark was one of the 27 members of the RFC. The Commission’s current representative to the RFC is Chairman Orjiakor N. Isiogu. The major focus of the RFC is on vehicle fuels and the major focus of the MREP Biomass Committee is on the use of renewable biomass fuels for electricity production. The MREP Staff was directed by the Commission in the [August 21, 2007 Order](#) in Case No. U-14345, to collaborate with the RFC.

In 2007, the MREP Staff also helped to plan and participated in the [Midwestern Governors Association Energy Summit](#), held in November in Milwaukee, Wisconsin. At the meeting Midwestern Governors from North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Indiana, Ohio, and Michigan, and the Premier of the Canadian province of Manitoba considered a wide variety of objectives and policies for achieving greater energy efficiency, production and use of the region’s extensive renewable energy resources, and positive actions to mitigate global climate change. Governor Jennifer M. Granholm attended the meeting and signed resolutions in support of these efforts, which include the goal of supplying 25 percent of the electricity consumed in the region by 2025 through renewable resources.

Regulated Energy Division

Nicholas Nwabueze, Director

The Regulated Energy Division (RED) provides the Commission with technical assistance and recommendations to ensure that regulated electric, gas, steam, and wastewater services are provided in a safe, reliable and efficient manner at fair and reasonable prices for Michigan's citizens and businesses and to enhance Michigan's competitive environment. The RED is responsible for all regulatory oversight of the Commission-regulated energy utilities in the state, including recommendations of appropriate utility rates. The division administers the Commission's gas cost recovery (GCR) and power supply cost recovery (PSCR) programs, Uniform System of Accounts, Annual Reports, and Utility Tariff books. The RED is responsible for oversight of Michigan's electric and natural gas customer choice programs, including administering the Commission's code of conduct, designing choice rates and tariff rules, and the licensing of alternative electric and gas suppliers. The RED is comprised of four sections: Accounting & Auditing, Act 304 & Sales Forecasting, Financial Analysis & Customer Choice, and Rates & Tariffs. In 2007, the RED Staff was involved in a total of 157 electric and natural gas cases before the Commission throughout the year.

Rate Cases

In 2007, the Commission issued five orders approving rate changes for Wisconsin Public Service Corporation, Alpena Power Company (Alpena Power), Wisconsin Electric Power Company, d/b/a We Energies (We Energies), Consumers Energy, and SEMCO Energy Gas Company (SEMCO).

On January 9, 2007, in Case No. U-14893, the Commission approved a settlement agreement authorizing a natural gas rate increase for SEMCO in the amount of \$12,649,533

annually; 33% below the company's request. The order resulted in an increase in the average residential customer's monthly bill of approximately \$3.64 per month.

On May 22, 2007, the Commission approved a settlement agreement in Case No. U-15039, *et al*, authorizing an annual rate increase of \$316,000 for We Energies. The company's original request totaled \$2,137,804. As a result of the order, the average residential customer using 500 kilowatt-hours per month saw an increase of 60 cents per month.

The Commission approved a settlement agreement on June 12, 2007, in Case No. U-15250, authorizing Alpena Power to increase its electric rates by \$1,261,000 annually; 28% below the company's request. This was Alpena Power's first electric base rate increase in 15 years. The increase was needed to provide recovery of rising operation and maintenance expenses, employee pension and healthcare costs, and new plant additions. As a result of the rate increase, the monthly bill of an average residential electric customer increased \$4.03 per month.

On August 21, 2007, the Commission approved a partial settlement agreement in Case No. U-15190, authorizing Consumers Energy to increase its annual natural gas revenues by a total of \$49,800,000; 44% below the company's request. The order resulted in an increase in a typical residential customer's monthly bill of approximately \$2.36 per month.

On December 4, 2007, the Commission approved a settlement agreement in Case No. U-15352, authorizing Wisconsin Public Service Corporation to increase its Michigan jurisdictional electric retail rates by \$560,000 annually. The company's original request totaled \$804,335. As a result of the order, the average urban residential customer's monthly bill increased by \$4.40, and the average rural residential customer's monthly bill increased by approximately \$4.63.

TIER Cases

In 2007, the Commission approved five settlement agreements authorizing revised rates for the sale of electricity and implementation of times interest earned ratio (TIER) ratemaking mechanism for Midwest Energy Cooperative (Midwest Energy), Thumb Electric Cooperative of Michigan (Thumb Electric), Great Lakes Energy Cooperative (Great Lakes Energy), HomeWorks Tri-County Electric Cooperative (HomeWorks), and Presque Isle Electric and Gas Co-op (Presque Isle Electric). This type of ratemaking is an annual mechanism used by most Michigan electric cooperatives to determine reasonable rate levels. There were also three TIER ratemaking filings that resulted in no rate changes involving Alger Delta Co-operative Electric Association (Alger Delta), Cloverland Electric Co-operative (Cloverland), and Cherryland Electric Cooperative (Cherryland).

On June 26, 2007, in Case No. U-14710-R, the Commission approved a settlement agreement authorizing Presque Isle Electric to increase its electric rates by \$673,472. As a result of the order, the monthly bill of the average Presque Isle Electric residential customer using 500 kilowatt-hours of electricity increased approximately \$1.29.

On July 5, 2007, in Case No. U-14710-R, the Commission approved a settlement agreement authorizing HomeWorks to increase its electric rates by \$969,005. Also on July 5, 2007, in the same case, the Commission approved a settlement agreement authorizing Great Lakes Energy to increase its electric rates by \$4,389,101 of the requested \$4,798,362. The orders resulted in an increase for a typical residential customer's monthly bill of approximately \$1.85 for HomeWorks customers and \$1.92 for Great Lakes Energy customers.

On July 5, 2007, the Commission approved a settlement agreement in Case No. U-14714-R authorizing Thumb Electric to increase its electric rates by \$556,446. The order resulted in a monthly bill increase for a typical residential customer of approximately \$2.36.

In Case No. U-14712-R, the Commission approved a settlement agreement on July 5, 2007, authorizing Midwest Energy to increase electric rates by \$1,797,306. As a result of the order, the average monthly bill of a typical residential customer increased by approximately \$1.76.

Utility	Rate Change/Increase	Typical Residential Monthly Bill Increase
Alpena Power	\$1,261,000	\$4.03
Consumers Energy	\$49,800,000	\$2.36
Great Lakes Energy	\$4,389,101	\$1.92
HomeWorks	\$969,005	\$1.85
Midwest Energy	\$1,797,306	\$1.76
Thumb Electric	\$556,446	\$2.36
Presque Isle Electric	\$673,472	\$1.29
SEMCO	\$12,649,533	\$3.64
We Energies	\$316,000	\$0.60
Wisconsin Public Service Corp.	\$560,000	\$4.40/\$4.63

Miscellaneous Cases

On June 26, 2007, the Commission approved a settlement agreement in Case Nos. U-14882, U-15129 and U-15130 accepting jurisdiction of SEMCO's Battle Creek Division. The gas cost recovery (GCR) clause and the authorization of SEMCO to implement a GCR factor were also approved. The Commission accepted jurisdiction over the fixing of rates, charges, and conditions for providing natural gas service in Battle Creek, several municipalities adjacent to Battle Creek, and special contract customers in Battle Creek.

The Commission approved a settlement agreement on July 5, 2007 in Case No. U-15192, authorizing Detroit Thermal, LLC, to implement a steam service rate of \$23.10 per thousand pounds of steam.

On December 18, 2007, in Case No. U-15245, the Commission approved an electric rate increase of \$69.5 million related to Consumers Energy's pending purchase of the Zeeland Generating Station. As a result of the order, the average residential electric customer's bill increased \$1.09 per month.

As directed by the Commission, the Staff formed a collaborative with Detroit Edison, Consumers Energy, and other interested parties to develop a standardized Electric Cost of Service Study model. On March 21, 2007, the Commission issued an order in Case Nos. U-14347 and U-14399 closing the collaborative and directing Consumers Energy and Detroit Edison to use the cost of service models developed in each of their next rate case filings.

Accounting and Depreciation Cases

In 2007, the Commission issued orders in two accounting related cases, Case No. U-15438 involving Wisconsin Public Service Corporation and Case No. U-15164 involving Edison Sault Electric Company. The Commission issued one depreciation rate case order, Case No. U-15162, involving Indiana Michigan Power Company.

On October 6, 2007, the Commission approved a settlement agreement in Case No. U-15323 authorizing Upper Peninsula Power Company to share the Michigan portion of the net gains from its sale of the Warden Generating Station with its retail electric customers. The order required the company to treat its share of the Michigan portion of the net gains as non-utility income.

In addition, on December 18, 2007, in Case No. U-13898, Michigan Consolidated Gas Company (Mich Con) received authority to its increase rates to recover incremental uncollectible accounts expense as measured by the Uncollectible Expense Tracker Mechanism. On July 5, 2007, the Commission approved a settlement agreement authorizing Detroit Edison to reconcile its regulatory asset recovery surcharges sought in Case No. U-15159.

Tariff Administration

The Commission efficiently processed 346 electric and 151 natural gas tariff sheet filings in 2007 utilizing its electronic tariff processing system implemented in 2004. The Commission also issued five orders that revised tariffs for We Energies, Alpena Power, SEMCO, Consumers Energy, and Detroit Thermal, LLC. Utility tariffs are available in the utility rate books located on the Commission's website.

In 2007, the Commission approved 10 *ex parte* cases for electric and natural gas utilities. Some of these cases involved special contracts between utilities and large usage customers.

On June 26, 2007, in Case No. U-14851, the Commission approved the revised Consumer Standards and Billing Practices for Electric and Gas Residential Service. This represented the first time in 10 years that the rules were significantly updated.

Act 304 Recovery Programs

Gas Cost Recovery Program

In 2007, the Commission established retail GCR factors for seven regulated natural gas utilities. The GCR regulatory process provided for recovery of approximately \$3.4 billion in wholesale gas costs in 2007.

Michigan regulated utilities experienced natural gas storage inventories well above normal throughout the 2007 injection season due to a warmer than normal winter season. In

addition, the 2007 hurricane season was less active than expected. Both factors helped hold summer natural gas prices to around \$6.80 per thousand cubic feet.

In 2007, the regulated natural gas utilities filed GCR applications for the 2008-2009 year. It is likely that the proposed GCR factors will reflect the effect of a reduced market price and the favorable storage balances.

Power Supply Cost Recovery Program

The Commission conducted over 60 electric cases, including 18 PSCR plans for each of 2007 and 2008, 18 PSCR cost reconciliations for 2006, and several other PSCR cases related to 1982 PA 304, MCL 460.6j *et seq.* (Act 304). There were also six orders related to the establishment of a new PSCR base factor, power purchase agreements for the sale of the Point Beach Nuclear Power Plant and the Palisades Nuclear Power Plant, the acquisition of the Zeeland Generating Station, and capacity charges associated with long-term power purchase agreements. Monthly updates of the PSCR factors for each regulated utility company are available on the Commission's website.

Financial Analysis Information

The annual *Financial & Operational Utility Reports* of the regulated utilities are available electronically for years 2004 to 2007. The *Public Utility Assessment* revenue report forms for natural gas, electric, and telephone utilities, and the S-102 gas pipeline information under 1929 PA 9, MCL 483.101 *et seq.* (Public Act 9), are also available electronically on the Commission's website. The *Quarterly Financial Reports on Michigan Electric and Natural Gas Utilities* highlighting 13 months of earned return on equity data from 2004 to 2007 for the eight Michigan jurisdictional utilities may also be accessed online.

Customer Choice Programs

The Commission received and responded to a total of 1,029 complaints and inquiries on natural gas and electric customer choice issues.

Electric Customer Choice

The Commission issued 38 orders in 2007 to implement the framework for Michigan's electric customer choice programs and the provisions of Public Act 141, Michigan's Customer Choice and Electricity Reliability Act.

The overall number of electric choice program customers and load served declined in 2007 as higher wholesale energy prices increased alternative electric suppliers' (AES) cost of procuring electricity. A total of 4,835 commercial and industrial customers enrolled in Detroit Edison's and Consumers Energy's electric choice programs during the year. The number of megawatts (MW) served by AESs totaled 1,023 MW of load.

At the end of 2007, there were 28 licensed AESs in Michigan, one more than in 2005 and 2006. The 2007 activities reflect the addition of three new licenses, the relinquishment of two licenses, and amendments of two others. During 2007, the Commission approved AES licenses for Liberty Power Holdings LLC (Case No. U-15139, Order dated April 24, 2007), Liberty Power Delaware LLC (Case No. U-15140, Order dated April 24, 2007), and Spartan Renewable Energy, Inc. (Case No. U-15309, Order dated September 18, 2007). The Commission approved the request of Mirant Americas Retail Energy Marketing Limited Partnership (Mirant Energy Trading, LLC) to relinquish its license on August 7, 2007 in Case No. U-13516. The Commission also approved the revocation of Dorman Energy, L.L.C.'s license in Case No. U-13281 on September 25, 2007. In addition, FirstEnergy Solutions Corp.'s license was amended (Case No. U-13244, Order dated July 26, 2007) to end its parent company's guarantee of its

financial obligations in light of its attainment of an investment-grade bond rating, and the UP Power Marketing LLC license was amended to expand its potential customer base beyond the White Pine Copper Refinery (Case No. U-14594, Order dated October 25, 2007).

Since 2001, the cooperatives have phased-in customer choice for all commercial and industrial member-consumers with a peak load of 50 kilowatts (kW) and above. On January 30, 2007, in Case No. U-13698, the Commission ordered electric choice service to continue for commercial and industrial member-consumers of the electric cooperatives with peak loads of between 200 kW and 999 kW, and for demand metered commercial and industrial member-consumers with peak loads of between 50 kW and 199 kW.

The annual 2007 report *Status of Electric Competition in Michigan* was submitted to the Governor and Legislature on February 1, as required by Public Act 141. The report is available on the Commission's website.

Natural Gas Customer Choice

The number of customers participating in the statewide natural gas choice programs increased in 2007 to 343,210 compared to 254,967 in the prior year. Alternative gas suppliers (AGSs) provided 54 billion cubic feet (Bcf) of annualized natural gas sales compared to 45 Bcf in 2006. In 2007, the Commission issued one new AGS license to EnergyUSA-TPC Corp.

In Consumers Energy's service territory, natural gas choice customers totaled 148,825, representing 23 Bcf of gas sales. Mich Con's service territory served 192,900 choice customers representing 30.6 Bcf of annual gas choice sales. There are three AGSs serving customers in SEMCO's service territory serving 1,485 customers. In Michigan Gas Utilities Corporation's (MGU) territory there is one active AGS serving several customers.

Code of Conduct

Eight electric code of conduct cases were addressed in 2007. In Case No. U-15015, the Commission granted a waiver requested by Presque Isle Electric on such items as information and employee sharing, and joint advertising. Midwest Energy received waivers in Case No. U-15206 on, *inter alia*, corporate structure, financing, and equity ratio reporting. Cloverland's billing insert practices were affirmed in Case No. U-15198. In Case No. U-15325, Wisconsin Public Service Corporation, Upper Peninsula Power Company, and MGU were authorized to utilize support services provided by Integrys Business Support, LLC. No waivers were required in Thumb Electric and Great Lakes Energy Case Nos. U-15207 and U-15153, respectively. In addition, in Case Nos. U-15223 and U-15081, Commerce Energy, Inc., and FirstEnergy Solutions Corp. filed complaints against Detroit Edison.

Electric Generation Plants

On March 27, 2007, Consumers Energy's application in Case No. U-14992 seeking approval of agreements and transactions for the sale of the Palisades Nuclear Power Plant (Palisades) to Entergy Nuclear Palisades, LLC, for \$380 million was approved. As a result of the order, Consumers Energy's electric customers will save up to an estimated \$700 million in energy costs over 15 years. Customers will save \$255 million via a credit applied to their bills over an 18 month period. An additional \$116 million in decommissioning funds will be available for refund in the future. The FERC approved the sale of Palisades on April 22, 2007.

On September 25, 2007, We Energies' power purchase agreement with FPL Energy Point Beach, LLC (FPL Energy) was approved in Case No. U-15220. FPL Energy subsequently completed its purchase of the Point Beach Nuclear Power Plant. A portion of the proceeds from the sale of the plant will be refunded to customers.

The Commission approved a settlement agreement, in Case No. U-15361, between Indiana Michigan Power Company and Fowler Ridge Wind Farm. The December 4, 2007 agreement permits Indiana Michigan Power Company to include the costs associated with the power purchase agreement and the running of a wind farm in its customers' bills. In Case No. U-15276, Indiana Michigan Power Company also received approval of the Cook Nuclear Power Plant decommissioning cost.

In addition, the Commission authorized Detroit Edison to decrease its bond principal and interest securitization in Case No. U-12478, and in Case No. U-12505, Consumers Energy was authorized to increase securitization of its regulatory assets and other qualified costs.

Service Quality Division

Michel Hiser, Director

The Service Quality Division is responsible for assisting the Commission with the development, implementation, and enforcement of utility quality of service rules, orders, and policies relating to the Commission's customer information and support functions. The division is comprised of two sections: Customer Support and Service Quality.

Customer Support

Customer Information and Education

The Commission continued its public education outreach by developing two new consumer alerts – one on utility copper cable theft and another on credit reporting as it relates to utility bills. These two alerts were also translated into Spanish. Additionally, three alerts were translated into Arabic – *The 2007 Home Heating Credit, Gas Bills May Have a New Look*, and *Help With Utility Problems is Available by Calling the MPSC's Toll-Free Number*. Thirty-five other alerts were updated. All consumer alerts are available on the Commission's website. Approximately 16,000 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 25,000 publications were distributed during 2007.

Consumer Forums

For the 20th consecutive 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, and telecommunications industries, and discuss utility issues and concerns. In 2007, forums were held in Mount Pleasant, Dearborn, Battle Creek, Detroit,

Gaylord, and Ludington. Over 600 consumers and community organization representatives attended the six forums. Commission Staff and utility representatives were available to assist customers with utility-related problems.

Complaint and Inquiry Calls

The Commission handles the intake of all complaint and inquiry calls on the Commission's toll-free number and assists with many customer calls to the Commission's main telephone line. These calls are taken live and result in establishment of a record for each complaint or inquiry, allowing the customer's complaint or inquiry to be tracked through to completion. The Commission responds directly to the customer's issues, forwards the customer to a specialist for resolution, or forwards the call, when appropriate, to the utility's Executive Customer Assistance Center. During 2007, 32,740 calls were handled on the Commission's toll-free line, a 21% decrease over 2006 (41,242 calls). Initial call response time (reaching a Staff contact person) averaged 24 seconds. The Commission also assists the Governor's office and Legislative staff with constituent concerns involving utility service quality matters.

Complaint and Inquiry Data

The Commission administers a customer complaint and inquiry database, ensuring the security of the data and the validity of the reports generated from the data. During the year, several improvements were made in the coding of complaints, data system, and system security. Using the data on number of calls, types of complaints, and geographic and industry data, the Commission generates weekly and monthly reports on types of complaints and inquiries received and the number of complaints from customers of each regulated utility. These reports are used in working with the companies to address areas of concern and internally to identify new areas for

consumer outreach. A customer satisfaction survey was also used to identify ways to improve the Commission complaint and inquiry process.

Service Quality

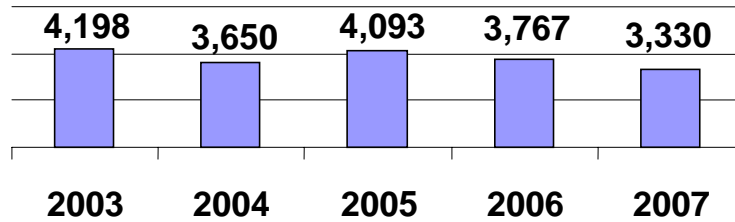
In 2007, the Commission received 9,244 energy (gas or electric) and 6,604 telecommunications complaints and inquiries.

Energy (Gas and Electric)

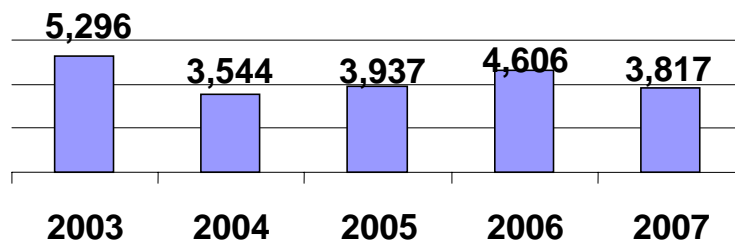
In October 2007, the Commission adopted and implemented significant revisions to the utility rules governing Consumer Standards and Billing Practices for Residential Natural Gas and Electric Service. It was necessary to significantly revise the rules as they were last updated 10 years ago. In addition to the necessity of bringing the rules in line with recent industry and technological changes, the new rules significantly improve customer protections by providing customers with more service shut-off protections, clarifying responsibility for bills, prohibiting estimated meter reading in most cases, lowering deposit requirements during the heating season, and giving customers more time to pay their bills.

The number of energy complaints and inquiries handled by the Commission decreased 18% over the previous year. Although there was a decrease in activity, many of the issues addressed were more complex. Most of the complaints and inquiries concerned issues related to responsibility for bills, high bills, delay in new service, delinquent accounts, cancellation of alternative supplier service contracts, repair and maintenance issues, frequent outages, repetitive interruptions, as well as other billing issues.

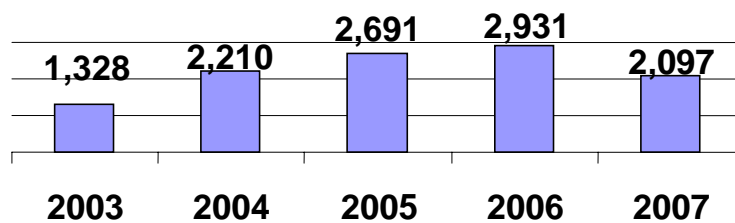
Electric Complaints & Inquiries



Gas Complaints & Inquiries



Gas, Electric Combined Service Bill Complaints & Inquiries



The Commission has continued to work with the energy utilities to provide better customer service, focusing on improving overall service quality and reliability. The number of calls related to frequent outages and repetitive interruptions throughout the state of Michigan have decreased over the years from 778 in 2005 and 551 in 2006 to 393 in 2007. Commission mandates to accelerate utility maintenance and repair on substations serving problem circuits

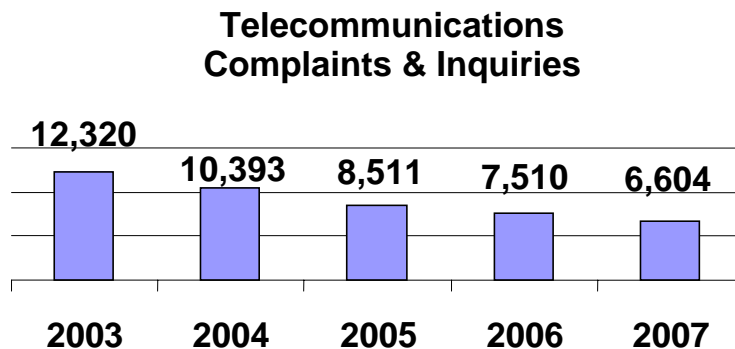
have helped to improve this situation. Utility companies are now required to report the changes that have occurred to the affected areas.

The Commission continued to see an increase in complaints concerning delay of establishing new gas and electric service; with 641 complaints received in 2007 compared to 497 in 2006, and 162 in 2005. The Commission Staff has been working with the utilities to improve the process of completing new service orders and anticipates that complaints regarding this issue will decline in 2008.

Michigan businesses and consumers filed 50 formal complaints against gas and electric companies in 2007, down substantially from the 105 filed in 2006. The Commission Staff was able to negotiate resolutions between many customers and the utilities without the need for an administrative hearing. The Commission encourages customers to resolve their complaints informally, as resolution via informal settlement generally benefits all parties involved.

Telecommunications

The Commission handled 6,604 telecommunications complaints, a significant decline (46%) over the past four years. Some of the decline is due to the pro-active efforts of the Staff in working with the companies to identify problems and find solutions before they escalate into complaints.



The Commission processed 55 formal complaints brought against telecommunications companies during 2007, compared to 60 formal complaints handled during 2006, 48 in 2005, and 96 in 2004. The decline in recent years can be attributed in part to aggressive action by the Commission to enforce rules and infractions along with stiff penalties assessed by the Commission for violations of the law. Billing charges and credit issues remain the largest complaint category (1,101 complaints and inquiries), followed by general service issues, slamming, billing errors, cramming, and repair problems.

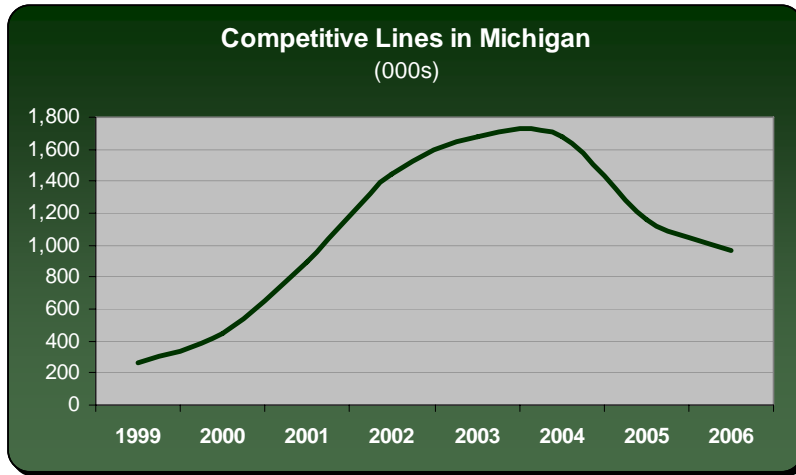
Telecommunications Division

Robin P. Ancona, Director

The Telecommunications Division is responsible for providing the Commission with technical assistance and policy recommendations on telecommunications issues impacting Michigan and its citizens. The division fulfills its responsibilities by supporting the Commission in all activities relating to the regulation of basic local telephone service, Emergency 9-1-1 service, telephone service for the speech and hearing impaired and all other state regulatory requirements as defined by the Michigan Telecommunications Act of 1996 (MTA), 1991 PA 179, MCL 484.2101 *et seq.*, and the federal Telecommunications Act of 1996. In addition, the division is responsible for administering the Michigan Children's Protection Registry Act, 2004 PA 241, MCL 752.1061 *et seq.* (Act 241), and the Uniform Video Services Local Franchise Act, 2006 PA 480, MCL 484.3301 *et seq.* (Act 480). The division is comprised of three sections: Licensing & Competitive Issues, Operations & Tariffs, and Rates & Financial Analysis.

Local Telephone Competition

The Commission granted licenses or approved amendments to existing licenses for 28 telephone companies. At the end of the year, 203 CLECs were licensed to provide telecommunications services in Michigan. According to the results of an annual survey conducted by the Staff in early 2007, CLECs were serving 18.3 percent, or about 960,000, of the lines provided to customers in Michigan.



Based on 2006 data, competition in the wireline telecommunications market in Michigan experienced a second consecutive decrease since the Commission began monitoring in 1999. The number of lines served by CLECs via AT&T Michigan's Local Wholesale Complete offering was 330,798 lines or 34 percent of all of the CLEC line activity. Resale accounted for 35,710 lines, while lines served over unbundled network facilities were 391,570, and lines served via CLEC-owned facilities were 142,306. As of December 2007, there were approximately 189 Commission-approved interconnection agreements in effect between AT&T Michigan and its competitors.

As directed by the Federal Communications Commission Triennial Review Order and Triennial Review Remand Order, the Commission completed facilitating the migration of CLEC customers from the unbundled network element – platform to other methods of provisioning. Interconnection agreements in Case No. U-14447 were amended as needed through mediation.

Cost Proceedings

The Commission commenced a proceeding in Case No. U-14781 to investigate and review the total service long run incremental costs (TSLRIC) of 13 small independent telephone companies. These 13 cost studies remain under review by the Commission.

The Commission commenced a proceeding in Case No. U-15035 to investigate and review the TSLRIC of an additional 11 small independent telephone companies. The Commission issued an order on July 5, 2007 in Case No. U-14781 that required all 11 companies to revise their cost studies to comply with the findings and conclusions of the order. These 11 cost studies remain under review by the Commission.

On February 27, 2007, the Commission began a proceeding in Case No. U-15210 to review cost studies for Verizon North, Inc. and Contel of the South, Inc., d/b/a Verizon North Systems (Verizon). This cost study remains under review by the Commission.

Primary Basic Local Exchange Service Rates

Pursuant to Section 304(1) of the MTA, the Commission initiated Case No. U-14731 in order to implement the provisions of the MTA related to setting the rates for Primary Basic Local Exchange Service (PBLES). The Commission has issued several orders in this docket and continues to review PBLES rates on an ongoing basis. On August 7, 2007, the Commission issued an order in Case No. U-15312 approving a settlement agreement which resolved all issues related to Verizon's PBLES tariffs and rates.

Provider to Provider Disputes

On May 30, 2006, Michigan Exchange Carriers Association, Inc. (MECA) filed an application to resolve a dispute on the measurement of usage and the payment of usage-based rates with Verizon in Case No. U-14905. The Commission directed the parties to work with the Staff in a collaborative format to attempt to resolve or narrow many of the issues. After several months of collaborative meetings and conference calls, the Staff filed a summary report of the collaborative with the Commission. The Commission issued an order that addressed the remaining issues on October 25, 2007.

On February 27, 2007, the Michigan Supreme Court issued an order in *Michigan Pay Telephone Association v Michigan Public Service Commission, et al*, Docket Nos. 132436 and 132437. The order denied Michigan Pay Telephone Association's (MPTA) application for leave to appeal the order of the Court of Appeals affirming the decision of the Commission in Case No. U-11756. On December 14, 2007, MPTA filed a Joint Petition for Final Approval of Refund with the Commission. On December 18, 2007, the Commission issued an order approving the refund amounts.

On March 1, 2007, in Case No. U-15230, Neutral Tandem Inc. filed a formal complaint and application for emergency relief against Level 3 Communications (Level 3) concerning interconnection issues. On March 21, 2007, the Commission issued an order denying emergency relief and directing the parties to negotiate a settlement. The Commission conducted hearings on the matter, and on November 26, 2007 the Commission issued an order finding that Level 3 must permit Neutral Tandem direct interconnection on lawful, non-discriminatory terms and conditions and also directed the parties to negotiate an agreement for direct interconnection.

Rulemakings

The MTA requires the Commission to promulgate rules to establish and enforce quality of service standards. The rulemaking for Quality of Service Rules began in 2006 and continued throughout 2007 with comment proceedings. After formal approval, the rules were transmitted to the Joint Committee on Administrative Rules. The Commission formally adopted the rules on December 18, 2007 in Case No. U-14962 and transmitted them to the State Office of Administrative Hearings and Rules for filing with the Secretary of State.

Virtual NXX

The MTA redefines all calls to a party not physically located in the local calling area of the caller as toll calls unless the tariff of the provider of the calling party identifies the calls as local (Virtual NXX). This subsection of the MTA became effective on December 31, 2007. On April 24, 2007, the Commission issued an order in Case No. U-15280 requiring providers to revise their tariffs or provide notice to customers that calls being made that were considered local calls would be re-rated as toll calls in 2008.

Expansion of Telephone Service into Unserved Areas

Two companies, Osirus Communications, Inc., and Allband Communications Cooperative, filed applications to provide basic local exchange services in several Lower Peninsula areas that are currently not served. The orders in these cases (Osirus Communications, Inc., Order dated October 9, 2007 and Allband Communications Cooperative, Order dated November 8, 2007) allow these two companies to begin the planning and other processes required to offer service in these areas.

METRO Issues/Rights-of-Way

The Metropolitan Extension Telecommunications Rights-of-Way Oversight Act (METRO), 2002 PA 48, MCL 484.3102 *et seq.*, (Act 48), was designed to stimulate the availability of affordable high-speed Internet access by simplifying the permit process and standardizing fees for local right-of-way access. Pursuant to Act 48, the Commission approved METRO Tax Credits for 71 providers and submitted this information to the Department of Treasury for the processing of providers' tax filings.

In compliance with Public Act 48, the Commission has issued Annual Permit Activity reports for 2003 - 2007 with quarterly updates during the year. This information is posted on the

Commission's website. The Commission received 43 notices of permit applications from municipalities in 2007. Of the 43 approvals, 22 were for unilateral permits, 8 were for bilateral permits, and 13 were unspecified.

Abbreviated Dialing Number 2-1-1

During 2007, the Commission approved an existing 2-1-1 call center, the Jackson 2-1-1 Call Center, to also serve Clinton, Eaton, Hillsdale, and Ingham counties. In addition, the Commission approved a transfer of the Ottawa County 2-1-1 designation from First Call of Ottawa County to Community Access Line of the Lakeshore, which also serves as the 2-1-1 designate for Muskegon County. Currently, the entire Upper Peninsula and 16 Lower Peninsula counties are served by 2-1-1 call centers.

On March 21, 2007, the Commission determined in Case No. U-14725 that Michigan 2-1-1 should continue to serve as Michigan's statewide 2-1-1 coordinating agency until March 31, 2008. This will complete the second year of a three-year renewal process.

Abbreviated Dialing Number – 8-1-1

Beginning April 13, 2007, in accordance with the federal Pipeline Safety Act, Michigan citizens and excavators are able to contact MISS DIG, prior to digging or excavating, by dialing 8-1-1.

Intrastate Telecommunications Service Providers

The Commission required, in Case No. U-11900, all telecommunications companies doing business within Michigan to register with the Commission. Section 211a of the MTA requires providers of telecommunications services using new or emerging technology, such as Voice over Internet Protocol, to register with the Commission. Currently, over 419 carriers are registered.

Universal Service Fund

In 2007, the Commission approved two new carriers as eligible telecommunications carriers (ETC). In addition to the new ETCs, the Commission approved the continued ETC designation for 49 wire line and wireless carriers who will be eligible for support in 2008.

Protect MI Child Registry

The Protect MI Child Registry, formulated pursuant to Public Act 241, marked its second-year anniversary of operation on July 1, 2007. Michigan residents may register e-mail addresses, instant messenger IDs, mobile telephone numbers, and fax numbers at no cost if a child may have access to them. As of December 31, 2007, over 123,542 contact points are being protected by the Registry. These contact points include both individual contact points, as well as addresses associated with over 222 schools and organizations that have registered their e-mail domains. These contact points are being protected from messages prohibited for a minor to view, purchase, possess, or participate in, such as alcohol, tobacco, firearms, pornography, and gambling. The Commission administers the Registry on behalf of the Department of Labor & Economic Growth. The Department of the Attorney General is responsible for enforcement activities.

Uniform Video Services Local Franchise Act

The Commission was charged with implementing Public Act 480, which became effective on January 1, 2007. The Commission approved the Uniform Video Service Local Franchise Agreement that video service providers began using on January 31, 2007.

The Commission sought public comments and suggestions in Case No. U-15168 regarding the Commission's dispute resolution process. The Commission submitted the proposed dispute resolution process for handling cable/video complaints to the Michigan

Legislature on May 31, 2007. The Commission is awaiting approval of the dispute resolution process by the Legislature.

The Commission Staff began taking customer cable complaints on February 1, 2007. The Commission has also received complaints between providers and franchise entities. Of the complaints that have been submitted by providers and/or franchise entities, seven have been formally docketed.

Pursuant to Section 12(2) of Act 480, the Commission is required to submit an annual report to the Governor and the Legislature on the status of competition for video services in Michigan and recommendations for any needed legislation by February 1 of each year. The first *Status of Competition for Video Services in Michigan* was submitted on February 1, 2008.

Case No. U-15204, *ACLU Michigan v AT&T Michigan and Verizon*

On February 1, 2007, the American Civil Liberties Union of Michigan (ACLU) and several of its individual members filed a formal complaint and request for investigation related to alleged violations of customer information privacy policies published by AT&T Michigan and Verizon North, Inc., in Case No. U-15204. This filing was a refinement of the complaint in Case No. U-14985 that was dismissed without prejudice on January 30, 2007. The complaint filed in Case No. U-15204 was also dismissed without prejudice on June 12, 2007 after the parties agreed to await the decision of the federal district court in the matter of *In re National Security Agency Telecommunications Records Litigation*, MDL 06-1791 VRW, 2007 WL 3306579 (N.D. Cal., Nov. 6, 2007). The federal case consolidates the cases brought by several states that are similar to the ACLU filing in Michigan.

Media and Public Information

The Commission issued 101 press releases resulting from Commission orders, programs, and activities.

Press releases announced Commission action on a wide range of issues, including the appointment of a new Chairman, Orjiakor N. Isiogu, and a new Commissioner, Steven A. Transeth; release of former Chairman J. Peter Lark's 21st Century Energy Plan; Commission implementation of the Uniform Video Service Local Franchise Act; new consumer alerts on credit reporting by utilities and theft of copper utility cable; approval of proposals that will result in more renewable energy generation projects in Michigan; improved customer protections through the approval of updated rules dealing with electric, gas and telecommunications service; improved customer shut-off protection and giving customers more time to pay bills; announcement of \$92 million in grants from the LIEEF; a decrease in rates for certain AT&T Michigan and Verizon customers; rate cases involving SEMCO, Alpena Power, and natural gas customers of Consumers Energy; and approval of a settlement agreement that allowed Mich Con to sell excess gas in exchange for postponing a rate increase.

The Commission provided information and assistance to over 400 media contacts.

SOAHR Administrative Law Judges

James N. Rigas, Administrative Law Manager

In 2005, the State Office of Administrative Hearings and Rules (SOAHR) was created by Executive Order No. 2005-1 to provide services related to the administrative hearing functions for departments or agencies, including the Commission. SOAHR Administrative Law Judges (ALJs) are responsible for conducting hearings in contested cases pursuant to applicable laws, administrative rules, and Commission directives. This includes the responsibility for scheduling hearings and filing dates, ruling on motions, presiding over hearings, participating in mediations and arbitrations, and issuing a proposal for decision (PFD) at the conclusion of each contested case. Currently, an Administrative Law Manager, five ALJs and one support staff are charged with this responsibility for the Commission.

During the year SOAHR conducted 137 days of hearings and issued PFDs in 29 cases. In addition, 145 settled or undisputed cases were processed and transmitted to the Commission for its consideration. ALJs also mediated several interconnection disputes between competing telephone service providers.

In addition to the normal array of rate cases, PSCR and GCR plans and reconciliations, special contracts, certificates of public convenience and necessity, pipeline cases, complaints, and licensing applications, the SOAHR ALJs were responsible for conducting the proceedings in a number of other notable matters.

In September 2006, AT&T Michigan filed an application and notice pursuant to the MTA to increase its PBLES rate in Case No. U-15036. The MTA defines PBLES as the provision of one primary access line to a residential customer for voice communications which shall include not fewer than 100 outgoing calls per month, not less than 12,000 outgoing minutes per month,

and unlimited incoming calls. Considerable time and effort was devoted to defining the proper scope and nature of the proceeding in as much as this was the first case conducted under Section 304(7) of the MTA, MCL 484.2304(7). On March 8, 2007, a PFD was issued recommending approval of an increase in the PBLES tariff rate of \$12.58 to an average rate of \$15.36.

Finally, the first two proceedings under the Electric Transmission Line Certification Act, 1995 PA 30, MCL 460.561 *et seq.*, were concluded. Both matters involved an application by International Transmission Company, d/b/a *ITCTransmission* (ITC). In Case No. U-14861, ITC sought a certificate of public convenience and necessity for the construction of a transmission line through Genoa, Hartland, Oceola, Milford and Brighton Townships. The proposed line would traverse 20.86 miles with an expected capacity of up to 313 MW. The estimated cost of construction for the proposed line was approximately \$15 million. A PFD was issued on March 16, 2007 recommending approval of the application subject to certain conditions.

In Case No. U-14933, ITC sought a certificate of public convenience and necessity for the construction of a transmission line running from and through Sterling Heights, Troy, Clawson and Royal Oak, Michigan. This proposed 345 kilovolt line would be approximately 14 miles in length, with almost 12 miles of new underground construction. The overall cost of the new line was estimated at \$150 million, resulting in an approximate \$30 million increase in annual transmission rates. A PFD was issued on December 6, 2007 recommending that the application be denied, ITC having failed to satisfy certain sections of the Electric Transmission Line Certification Act.

Website Activity (Michigan.gov/mpsc)

The Commission website continued to be an important tool for communication among the Staff, industry representatives, and the general public. Most documents released by the Commission are available on the website for download, and public list servers are available for those who want immediate notification of important postings. The Commission continues to collect utility complaints online and this year has expanded and updated its Consumer Information section, to better address customers by type of utility. New pages address all aspects of service for telephone customers, natural gas customers, and electric customers.

Normally the Commission would make statistics available on the visitor sessions or downloads conducted on the website. This year the Commission is unable to do so due to financial and technical difficulties that have hampered our ability to collect useful statistics on web traffic. The Commission hopes to have these problems resolved soon and will provide these useful statistics next year.

New Developments on the Commission Website

The Intrastate Telecommunications Service Providers website and registration system has been completely overhauled. Not only has the look and feel been updated to comply better with Michigan.gov standards, but the database structure was updated as well and provides a better user experience for both users and the Staff. The Commission website will be redesigned in 2008. Commission web editors have worked very hard through 2007 to reorganize menu structures to make the site more useable. Data will be removed that is no longer relevant, and additional information is expected to be made available in the coming year. Look for the launch of this new site design by the summer of 2008.