



Jennifer M. Granholm  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
PUBLIC SERVICE COMMISSION

STANLEY "SKIP" PRUSS  
DIRECTOR

Monica Martinez  
COMMISSIONER

Orjiakor N. Isiogu  
CHAIRMAN

Steven A. Transeth  
COMMISSIONER

March 2, 2009

Honorable Jennifer M. Granholm  
Governor of Michigan

Honorable Members of the Michigan Senate

Honorable Members of the Michigan House of Representatives

The enclosed *2008 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.

This year was an exciting and challenging year at the Commission culminating with the passage of the Clean, Renewable, and Efficient Energy Act (2008 PA 295) and an amendment to the originating act for the Commission (1939 PA 3). The new statutes provide an opportunity for the Commission to do its part in assisting the citizens and businesses of Michigan to become more energy-wise consumers and focus on clean, renewable, and efficient energy sources.

Throughout 2008, the Commission maintained its commitment to address the needs of Michigan's low-income and senior citizens, awarding \$62,000,000 for low-income energy assistance and \$10,000,000 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 also awarded \$18,982,559 from the Low-Income and Energy Efficiency Fund for Michigan Energy Efficiency grants.

The Commission continued its consumer outreach efforts by hosting statewide consumer forums, making its Commission meetings available via podcast, handling 36,572 calls on its toll-free line, and assisting consumers and businesses with more than 14,091 electric and natural gas and 4,508 telecommunications complaints and inquiries. Also, the Commission initiated a program to assist small businesses with regulated utility complaints. This new program processed 1,747 of these types of complaints.

The Commission issued 406 orders, consisting of 128 telecommunications, 126 electric, 72 natural gas, and 79 motor carrier orders.

DELEG is an equal opportunity employer/program.  
Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

Among the orders issued by the Commission during 2008 were approvals of the construction of 21 new natural gas pipelines and issuance of one certificate of public convenience and necessity for the construction of an electric transmission line.

The Commission also revised the retail natural gas rates of Consumers Energy Company and the retail electric rates of Consumers Energy Company, Wisconsin Electric Power Company d/b/a We Energies, and The Detroit Edison Company.

The Commission revised a number of its administrative rulemakings, including its Commercial and Industrial Billing Practices Governing Electric and Gas, Technical Standards for Electric Service, Gas Safety Standards, and Transfers of Telephone Licenses.

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 in 2007 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. The Commission is still awaiting the Legislature's approval of this process.

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

2008 ANNUAL REPORT  
MICHIGAN PUBLIC SERVICE COMMISSION

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

March 2, 2009



## Table of Contents

Commissioner Profiles.....	1
Orjiakor N. Isiogu, Chairman .....	1
Monica Martinez, Commissioner.....	2
Steven A. Transeth, Commissioner .....	3
Mission and Goals.....	4
Staff Organization.....	5
Organizational Chart.....	6
Introduction.....	7
Division Reports .....	8
Regulatory Affairs Division.....	8
Motor Carrier, Energy Grants & Information Division.....	11
Operations & Wholesale Markets Division .....	23
Regulated Energy Division.....	35
Service Quality Division.....	44
Telecommunications Division .....	50
Administrative Law Judges.....	58
Media & Public Information.....	60
Web site Activity .....	61

## 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 ends 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 impacting 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 911 service, telephone service for the speech and hearing impaired and all other state regulatory requirements as defined by Public Act 179 of 1991, as amended, known as the Michigan Telecommunications Act (MTA) and the Federal Telecommunications Act (FTA). 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 acting 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 advocated on behalf of the Attorney General before the Michigan Public Service Commission, the Federal Communications Commission, and federal and state trial and appellate courts. While at the Attorney General's office, Mr. Isiogu worked under three Attorneys General and served on the Litigation Advisory Board. As an Assistant Attorney General, Mr. Isiogu represented the state, its agencies as well as the consumer interests in state and federal proceedings involving utilities such as natural gas, electric and telecommunications.

Mr. Isiogu is a member of the Michigan Relay Center Advisory Board, the Emergency Telephone Services Committee, the Renewable Fuels Commission, and the Climate Action Council. In addition, he is a member of the Smart Grid Collaborative effort between the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC).

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 term ends July 2, 2011.

Since joining the Commission, Commissioner Martinez has sponsored initiatives on several critical issues including education and awareness, energy efficiency and renewable energy and low-income and senior citizen energy assistance. She has led new Commission efforts promoting Lifeline awareness and summer energy conservation. In response to evolving climate change concerns, the Governor established the Michigan Climate Action Council and appointed Commissioner Martinez to serve on the Council. More recently, she has participated in deliberations and discussions leading to the passage of the state's most comprehensive energy legislation enacted to date.

As a member of the National Association of Regulatory Utility Commissioners' (NARUC) Committee on Consumer Affairs, Commissioner Martinez has supported efforts for uniform data collection on energy arrearages and efforts to secure 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, and was recently asked to participate in the NARUC working group on speculation in the natural gas markets. She is the current President of the Mid-America Regulatory Conference and is also active on the Federal Interstate Telecommunications Relay Services Advisory Council. She is a member of the Board of Directors of the Organization of MISO States.

Prior to her appointment to the Commission, Ms. Martinez was the Deputy Director of the Governor's Legislative Affairs Division. Her career also includes positions in the Michigan Senate Democratic Office as a senior policy advisor where she specialized in telecommunications, energy, human services, and family law policy issues and at the Alumni Association of the University of Michigan and U of M Dearborn's Center for Corporate and Professional Development.

Ms. Martinez earned a Bachelor's degree, majoring in Economics and Political Science, and a Master's in Business Administration *with distinction*, both from 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 serves as the vice president of the Organization of PJM States, Inc. (OPSI) for 2009.



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

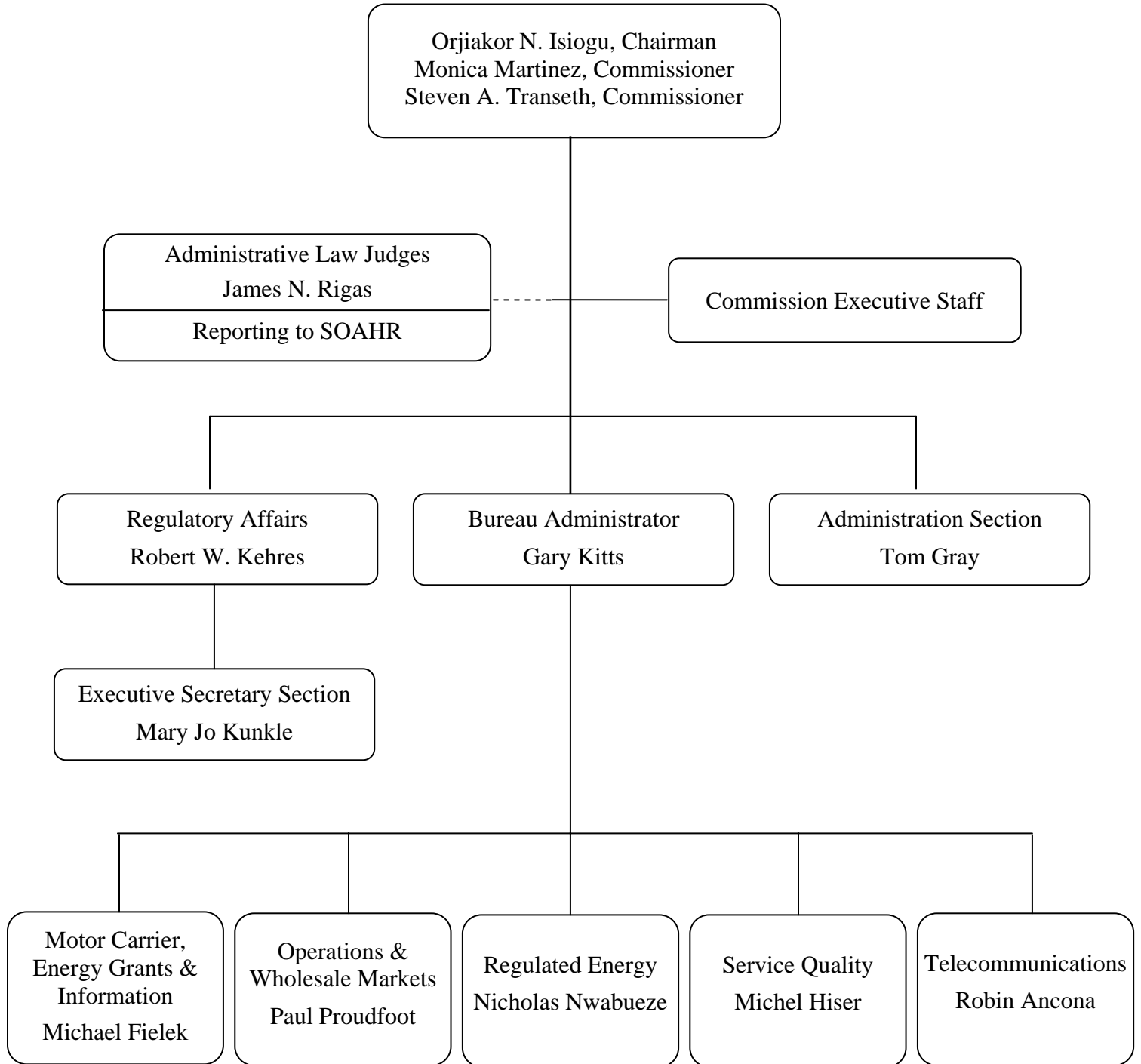
For most of 2008, the Michigan Public Service Commission (MPSC or Commission) was organized into six Divisions: (1) Regulatory Affairs Division, which is primarily responsible for the drafting of Commission orders and administrative rules, and maintaining the Commission's files and official dockets; (2) Motor Carrier, Energy Grants & Information Division, which is primarily responsible for motor carrier regulation, 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 enforcement of Commission rules relating to customer service; and (6) Telecommunications Division, which is primarily responsible for all aspects of the Commission's authority related to telecommunications services. As of December 31, 2008, the Commission had a staff of 167 full-time employees.

In late 2008, the Commission's organizational structure was changed and a new division was added. This report describes the efforts of the Commission under the pre-reorganization structure. The new structure will be used in subsequent annual reports. An organizational chart depicting the new structure is available on the Commission's Web site at [www.dleg.mi.us/mpsc/about/orgchart](http://www.dleg.mi.us/mpsc/about/orgchart).

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, 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 16.5 per million population compared to the national average of 29.4 and an average of 23.9 in other Great Lakes states.

# 2008 Organizational Chart



## **Introduction**

Section 5a of Public Act 33 of 1989, MCL 460.5a, requires the 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 406 orders in 2008. The issued orders consisted of 128 telecommunications, 126 electric, 73 natural gas, and 79 motor carrier orders.

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

#### **Case Documents and Processing**

The Commission received and processed 11,315 official pleadings from applicants, respondents, intervenors, and other interested persons.

The Commission issued 126 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 Web site. Court reporters were scheduled for 261 Commission hearings.

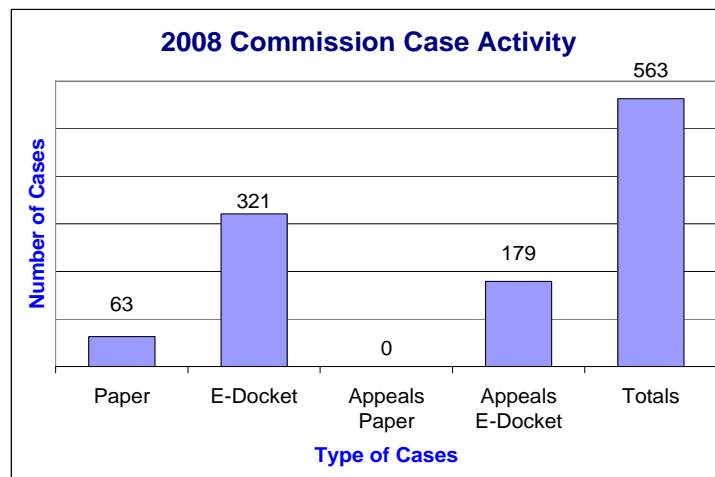
The Commission provides notice of Commission's orders through an automated electronic notification system for natural gas, telecommunications, and electric industry officials, and interested parties. A total of 240 telecommunications industry representatives and 105 electric and natural gas representatives 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 6,209 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.

### **Paperless Electronic Filings**

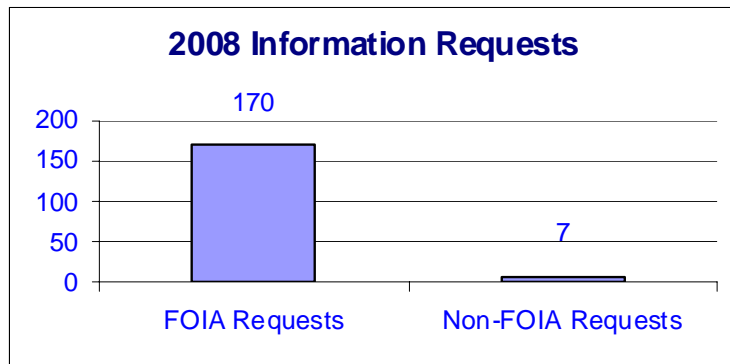
The Commission expanded the paperless electronic program to include all cases filed with the Commission, other than residential and small business complaints. In 2008, the Commission received 321 paperless electronic cases. Since the program began in September 2003 through December 31, 2008, 1029 paperless electronic cases have been filed with the Commission.



The Commission continued to test a new case tracking system designed to improve administrative efficiency and provide all pertinent case status information on the Internet. The Legal Edge system was implemented in June 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 177 information requests.



### **Michigan Public Service Commission Annual Report**

On March 3, 2008, the Commission submitted its annual report to Governor Jennifer M. Granholm and the Michigan Legislature as required by MCL 460.5a. 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 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. During 2008, the division was comprised of four sections: Motor Carrier Credentials & Customer Service Section; Motor Carrier Safety & Compliance Section; Energy Grants Section; and Energy Data & Security Section.

### **Motor Carrier Regulation**

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

Motor Carriers operating solely in intrastate commerce are required to obtain operating authority from the Commission. In 2008, the Commission received 289 applications for original operating authority. In addition, 25 applications for transfer to new ownership, 10 changes of operating name, 67 temporary and 35 permanent discontinuances of authority, and 12 reinstatements of authority from discontinuance were processed. The Commission also granted 196 requests for temporary operating authority.

The annual renewal of active and temporarily discontinued intrastate operating authorities was initiated in October, 2008 with the mailing of 1,928 renewal forms. More than 5,600 2009 Commission decals were issued as of December 31, 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 3,000 PL/PD policies were received and processed in 2008.

## **Decals**

Intrastate carriers are required to register power units that are utilized in their authorized operations. Decal sales generated \$627,874.

## **Safety and Compliance**

The Commission reviewed 343 applications for 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 2008, 59 amendments and additions to tariff filings were submitted for Commission approval. In addition, 27 new applications for household goods authority were processed.

Motor Carrier Staff has been actively working with the Michigan Movers Association to revise and update the Commission required "notice to shippers" to explain the rights and responsibilities of the shipping public. These will be completed in 2009.

## **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" (UCRA) was included within this public law and sets forth various changes to title 49, United States Code, relating to regulation of motor carrier activities. SAFETEA-LU requires that a Unified Carrier Registration (UCR) System be established to replace, among other things, the Single State Registration System, effective January 1, 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 the registration of interstate brokers, freight forwarders, and leasing companies in both Michigan and the Province of Ontario. In 2008, Michigan collected or received a total of \$7,410,908 from the UCR program. This amount represents portions of three calendar renewal years, 2007, 2008 and 2009. 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.

Michigan has the largest authorized cap (\$7.5 million) of the states participating in the UCR program. For a number of reasons, not the least being an inadequate fee schedule, Michigan has a running deficit of approximately \$12 million from the UCR program. This loss of revenue is serious and could result in the degradation of state motor carrier safety programs. Staff intends to pursue remedies to this continued shortfall in fee collection through the UCR Board of Directors and increased enforcement/compliance efforts through the Michigan State Police. In addition, amendments to the Motor Carrier Act adopted by the Legislature in 2008 (Act 584) should greatly improve the UCR revenue picture in 2009.

### **Water Ferry Regulation**

On August 26, 2008, the Commission issued its order in Case No. T-1860 approving Tariff M.P.S.C. No. 34 for Champion's Auto Ferry, Incorporated. This tariff increased rates for ferry service between Harsens Island and Algonac, Michigan. Fare increases among several classes were necessitated by increased fuel costs and decreased traffic volumes.

## **Other Activities**

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

## 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 or fund). The Legislature appropriates monies annually for the LIEEF for grants that are awarded by the Commission 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 January 2, 2008, at the request of the Department of Human Services (DHS), the Commission issued an order amending its August 21, 2007 LIEEF award to DHS from \$13,925,000 to \$10,425,000 to accurately reflect the amount of funds that would be expended by DHS for energy efficiency upgrades. This action increased the amount of LIEEF monies available for future requests for proposals by grantees by \$3,500,000.

On May 8, 2008, the Commission issued two orders awarding grants totaling \$13,482,802 from the LIEEF. Michigan Energy Efficiency grants totaled \$6,482,802, and, Low-Income Energy Assistance grants totaled \$7,000,000. The grants awarded by the Commission on May 8, 2008 are summarized below:

<b>Michigan Energy Efficiency Grants</b>	
<b>Organization</b>	<b>Amount Awarded</b>
Charter Township of Delta	\$50,000
City of Taylor – Department of Public Works	\$49,120
Greater Lansing Go Green! Initiative	\$50,000
Michigan GREEN	\$49,716
Michigan Interfaith Power & Light	\$50,000
Michigan Suburbs Alliance	\$47,996
Recycle Ann Arbor	\$50,000
SEEDS	\$49,990

Superior Watershed Partnership	\$150,000
University of Michigan, General Motors Corporation, and Detroit Edison Energy Company,	\$5,000,000
Urban Options, Inc.	\$750,000
WARM Training Center	\$50,000
West Michigan Environmental Action Council	\$100,000
Ypsilanti Food Cooperative	\$35,980
<b>TOTAL</b>	<b>\$6,482,802</b>

<b>Low-Income Energy Assistance Grants</b>	
<b>Organization</b>	<b>Amount Awarded</b>
Department of Human Services	\$4,016,825
Newaygo County Community Services	\$383,175
The Heat and Warmth Fund	\$2,100,000
The Salvation Army	\$500,000
<b>TOTAL</b>	<b>\$7,000,000</b>

On August 26, 2008, the Commission issued three orders awarding grants totaling \$77,499,757 from the LIEEF. Low-Income Energy Assistance grants totaled \$55,000,000; Low-Income Energy Efficiency grants totaled \$10,000,000; and Michigan Energy Efficiency grants totaled \$12,499,757. The grants awarded by the Commission on August 26, 2008 are summarized below:

<b>Low-Income Energy Assistance Grants</b>	
<b>Organization</b>	<b>Amount Awarded</b>
Department of Human Services	\$38,000,000
Downriver Community Conference	\$600,000
Michigan Community Action Agency Association	\$2,600,000
Newaygo County Community Services	\$2,300,000
Society of St. Vincent de Paul – Detroit	\$500,000
The Heat and Warmth Fund	\$6,000,000
The Salvation Army	\$5,000,000
<b>TOTAL</b>	<b>\$55,000,000</b>

<b>Low-Income Energy Efficiency Grants</b>	
<b>Organization</b>	<b>Amount Awarded</b>
Department of Human Services	\$8,500,000
Newaygo County Community Services	\$500,000
United Way Comm. Services for Southeastern Michigan	\$750,000
WARM Training Center	\$250,000
<b>TOTAL</b>	<b>\$10,000,000</b>

<b>Michigan Energy Efficiency Grants</b>	
<b>Organization</b>	<b>Amount Awarded</b>
A123 Systems, Inc.	\$990,004
Accio Energy, Inc.	\$401,500
City of Southgate Veterans Memorial Library	\$50,000
Detroit Science Center	\$50,000
Heat Transfer International, Inc.	\$2,292,100
Macomb County Health Department	\$314,063
Michigan Technological University	\$1,455,565
MSU – Biosystems 7 Agricultural Engineering	\$1,538,306
NOVI Energy LLC	\$2,320,000
The Climate Change Coalition of the Battle Creek Community Foundation	\$45,585
Traverse City Light & Power	\$49,875
U.P. Steel	\$1,542,193
Urban Options, Inc.	\$1,000,000
Voices for Earth Justice	\$49,446
Wyandotte Municipal Services	\$356,500
Ypsilanti Food Cooperative	\$44,620
<b>TOTAL</b>	<b>\$12,499,757</b>

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

<b>Company</b>	<b>Case No.</b>	<b>Amount</b>
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

In compliance with 2007 PA 118, the Commission's Annual Report on the LIEEF was prepared and submitted to the state budget office, fiscal agencies, and Legislative subcommittees on May 30, 2008.

## **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. The Commission Staff serves as the Emergency Management Coordinator for the Department of Energy, Labor & Economic Growth and coordinates the department's emergency response and preparedness efforts. During 2008, staff began work on a Continuity of Operations Plan for the department, and continued its participation on the interdepartmental Pandemic Influenza Coordinating Committee.

As part of its energy emergency preparedness responsibilities, the Commission Staff again participated in a number of emergency exercises involving disaster response, nuclear plant drills, and responding to an energy emergency.

### **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 State Energy Officials on the Energy Sector's Government Coordinating Council established under the National Infrastructure Protection Plan.

MPSC Staff helped organize the Michigan Infrastructure Coordination Committee (MICC) to better align Michigan's efforts with the National Infrastructure Protection Plan (NIPP). The MICC serves as a cross-sector coordinating committee with representation from the public and private sector for each of the 18 Critical Infrastructure Key Resources (CIKR) Sectors defined in NIPP plus a Schools Sector. The Energy Sector Committee, which had previously existed under the former state Critical Infrastructure Protection Committee, was expanded to more fully encompass all elements of the energy sector and now includes representation from electric and gas utilities (large and small), transmission companies, independent power producers, the petroleum industry (including refiners, marketers, and propane dealers), and petroleum product and natural gas pipelines. Staff from the Michigan Public Service Commission and Consumers Energy Company (Consumers Energy) co-chair this committee, with support from the Michigan State Police, Emergency Management and Homeland Security Division. The Energy Committee will be the focal point for public/private sector partnerships in Michigan.

In other energy infrastructure efforts, MPSC Staff initiated and participated in a regional energy emergency planning meeting. All states have energy emergency plans to deal with an energy emergency within state boundaries. However, the fact of the matter is that, while some energy emergencies are contained within the boundaries of a state and are completely covered by a state energy emergency plan, many energy emergencies are regional in nature. Additionally, the federal government, through the Department of Homeland Security, is placing a greater emphasis on multi-state, regional planning. A meeting was held in November of 2008 that included representatives from Illinois, Ohio, Indiana, Wisconsin, Minnesota, Michigan, the federal government, and energy providers within the states. The purpose of the meeting was to



share the details of each state's energy emergency plan, and compare and contrast the plans to discover areas of commonality and difference. Additionally, representatives from the Midwest energy industry shared their energy emergency plans and the challenges of interfacing with multiple states in an energy emergency. MPSC Staff is writing a report regarding the meeting and will help determine what future efforts in regional planning should entail.

### **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 which is posted on its [Web site](#).<sup>1</sup> 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 to monitor the state's overall energy supply and demand. The Commission also assisted in maintaining the Web site by providing extensive information on gas prices and regulatory requirements.<sup>2</sup> 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 2008. Staff also prepared a [Michigan Energy Overview](#) which provides a detailed breakdown of energy use in Michigan over the last 45 years. This report provides a comprehensive overview of energy use in Michigan and shows energy use by the residential, commercial, industrial, and transportation sectors, including how much is spent on energy by sector and fuel.

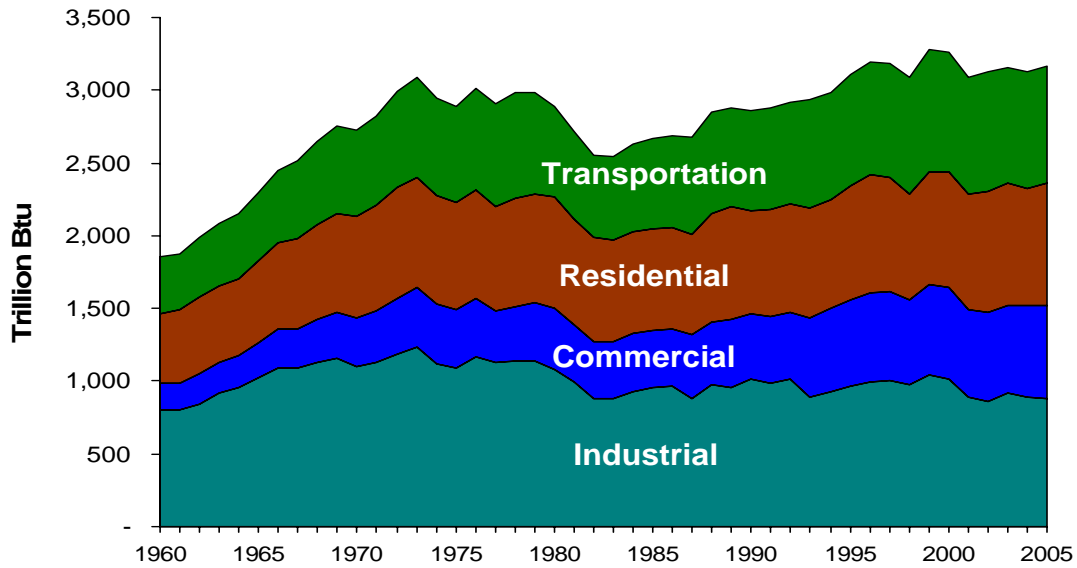
---

<sup>1</sup> See, <http://cis.state.mi.us/mpsc/reports/shopp>

<sup>2</sup> See, [www.michigan.gov/gasprices](http://www.michigan.gov/gasprices)

## Energy Use By Sector in Michigan

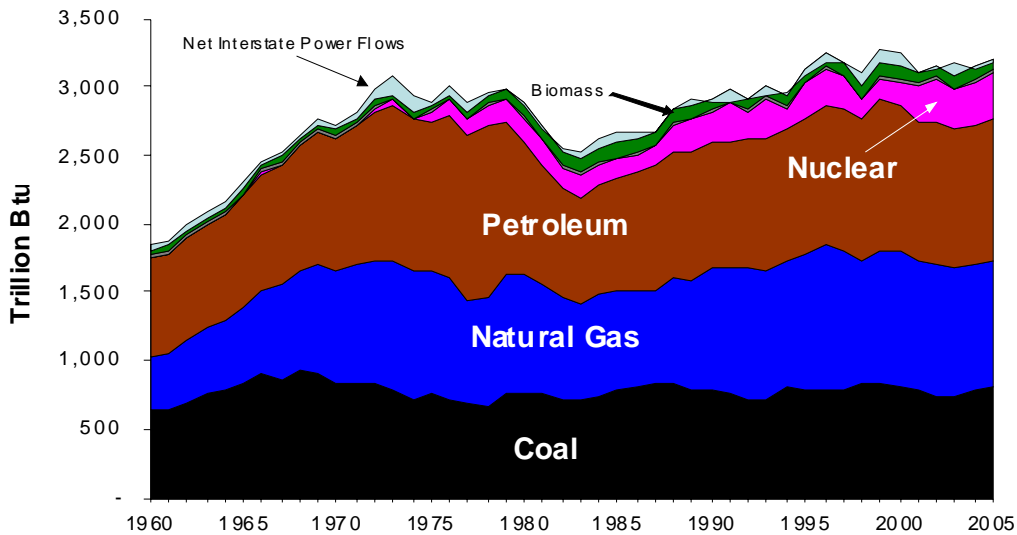
Electricity use and losses are included in each sector



Source: State Energy Data Report, Energy Information Administration,  
Graph prepared by: Energy Data and Security, Michigan Public Service Commission

## Total Energy Use in Michigan

Includes the primary energy used to generate electricity



Source: State Energy Data Report, Energy Information Administration,  
Graph prepared by: Energy Data and Security, Michigan Public Service Commission

## Operations and 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.

<b>Number of Orders Issued by Type and Industry</b>	
Act 69 Franchise	2
Complaint	10
Pipeline	24
Meter testing	1
Pole Attachment	1
Total	38

In response to Public Act 295, which was passed near the end of 2008, the Operations and Wholesale Markets division staff was reorganized and an additional division, Electric Reliability, was created. The Electric Reliability Division will provide the Commission with technical assistance and recommendations on electric and gas providers' energy optimization and renewable energy plans, implement a net metering program and participate on the Wind Energy Resource Zone Board. The division will also evaluate reconciliation proceedings to ensure that electric and gas providers are meeting the targeted renewable portfolio goals of 10 percent by 2015, and reduced energy consumption of 5.5 percent by 2015. The Electric Reliability Division

is comprised of three sections: Energy Efficiency, Generation & Certificate of Need, and Renewable Energy.

## **Reliability**

In 2008, the Commission continued to closely monitor the electric capacity and load of Consumers Energy and The Detroit Edison Company (Detroit Edison) during the summer period. The summer peak loads for 2008 were lower than in previous years across the Midwest Independent Transmission System Operator, Inc. (Midwest ISO or MISO) footprint due to mild weather and a sluggish economy. Due to generation outages and constraints on the system, a few Maximum Generation Alerts were issued for the western portion of MISO. These events were monitored, but did not impact the Michigan system.

In contrast to Maximum Generation Alerts that may be issued in shortage situations during peak usage times, Minimum Generation Alerts may be issued during low usage periods when there is a surplus of generation running at minimum generation levels. MISO experienced more than 70 Minimum Generation Alerts in their footprint in 2008, a significant increase from the past few years. The potential reliability concern with Minimum Generation situations is that if it becomes necessary to take generating units off-line during low usage periods, such as overnight, those same units may not be able to be restarted and ramped up quickly enough to meet the peak usage times during the next day. MISO stakeholders have formed a Minimum Generation Task Force to study the causes of Minimum Generation Events and will develop recommendations to minimize their occurrence. The Commission will continue to monitor the MISO market for reliability issues that may impact the Michigan system.

The Commission also continued to monitor distribution circuit reliability in 2008. Overall, the number of complaints that the MPSC received from Michigan customers regarding

frequent and repetitive outages was down slightly for 2008 as compared to the same time period in 2007. In 2005, the Commission ordered an investigation into the distribution reliability of Michigan utilities, due to a spike in the number of complaints received that year by the MPSC for frequent repetitive outages. Since 2005, the Commission continues to monitor distribution circuit reliability in Michigan, and significant progress has been made as the utilities continue to make progress reducing the frequency of outages through their tree-trimming programs, pole-top maintenance programs, and their focused reliability programs. Continuing these key maintenance programs will have multi-year impacts on reliability.

The reduced number of outage complaints in 2008 was very positive considering the severe storms that spread through the area in June creating widespread extended outages. During storms experienced in early June, Michigan experienced three confirmed tornados, straight-line winds in excess of 70 miles per hour, and more than 11 inches of rain in some areas. The damage resulting from these storms was extensive, causing more than 700,000 customers in the Detroit Edison and Consumers Energy territories to be without power for extended periods of up to seven days.

The storms experienced in June 2008 caused more damage to the electrical system than has been seen in Michigan in decades. The Commission continues to monitor the restoration process as utilities restore their customers to service. The following are statistics provided by Detroit Edison detailing the significant restoration efforts that were undertaken during the storms in June 2008 only in Detroit Edison's territory:

- 10,517 trees trimmed
- 3,216 trees removed
- 106 miles of wire replaced
- 498 poles & 411 transformers replaced
- Diseased trees outside of the line clearance zone that created some of the damage
- Large trees that were the cause of some single customer outages
- Extensive pole damage repaired using crossarm replacements
- 39,353 individual jobs were completed in this restoration effort

During and immediately following the storms in June, the Commission received a significant number of customer complaints regarding their inability to get through to the utilities on the phone lines to report their outage. Frustration and dissatisfaction was expressed by customers who experienced lengthy outages from these storms. The Commission held public hearings to allow customers to voice their experiences regarding dealing with the outages, and the Commission conducted an investigation into the performance of the utilities during the storm restoration process.

The Commission Staff issued a report detailing the impact of the storms, and the results of the investigation into the restoration process used by the utilities. In its report, the Staff recommended the utilities continue to investigate how Automated Meter Infrastructure (AMI) could help aid restoration efforts in the future, and Staff also emphasized the necessity for clear and direct communications with customers during outage situations.

Michigan also experienced severe winds in excess of 60 miles per hour on December 28, 2008, which caused damages to the electrical system. Over 210,000 customers on the Consumers Energy system were affected, and more than 230,000 customers on the Detroit Edison system were affected. The majority of customers were restored within 48 hours following this storm. The Commission continues to monitor the service restoration performance of the utilities.

## **Electric Transmission Lines**

The Commission approved a settlement agreement between the City of Taylor and Detroit Edison resolving outstanding issues over an underground line built in 2002. Act 30 cases involve certificating new transmission lines and substations. The Commission approved ITC's Genoa to Prizm line in 2007, the first one considered under this statute, and in 2008 denied an appeal by the landowners in this matter. The Commission denied an ITC application for a transmission line to be built north of Detroit and scheduled hearings on Wolverine's application near Traverse City.

## **Gas Pipeline Safety**

The gas safety engineers inspected all jurisdictional pipeline operators on schedule, meeting the requirements of Public Act 165 of 1969 and the United States Department of Transportation (USDOT) requirements. The Commission investigated all jurisdictional incidents meeting USDOT requirements. The safety program maintained its federal certification following receipt of a favorable review of the USDOT. Through the end of 2008, the gas safety engineers issued 13 notices of non-compliance, responded to 85 telephonic incident reports, and conducted an estimated 400 inspections.

## **Pipelines and Storage Fields**

The Commission issued 24 orders regarding pipelines. Generally, natural gas pipelines are used to deliver natural gas from Michigan gas wells to markets both within and outside 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, Michigan storage operators continued work started in 2007 to increase capacity and deliverability of Michigan storage fields. Michigan

currently has a working gas storage capacity of 649 Billion cubic feet (Bcf), which is more storage working capacity than any other state.

## **Natural Gas Production and Permitting**

In 2008, the Commission issued 341 gas well connection permits (27 less than in 2007), with the majority of these permits (335) issued to wells in the Antrim shale formation. The Antrim shale formation is a shallow gas producing reservoir that stretches across the northern part of the lower peninsula of Michigan. Other predominant natural gas producing formations in Michigan are: Prairie du Chien (PdC), which are deep sandstone reservoirs in the central part of the lower peninsula; and Niagaran reef formations, which occur in two trends of reefs in the lower peninsula. There is no gas or oil production in the upper peninsula.

The total gas production in 2008 is estimated to be 156 Bcf, a decrease from 163 Bcf in 2007. Antrim gas wells provide approximately 85 percent of the total amount produced. Natural gas production in Michigan continues to decline at a rate of about 5 percent per year, as the existing reservoirs naturally deplete. Most drilling and gas well permits issued for 2008 were for in-fill wells, or wells drilled into existing reservoirs, rather than discovery, or new, wells. Oil and gas exploration and drilling in Michigan saw an increase in activity due to higher prices. This may translate to an increase in drilling for 2009.



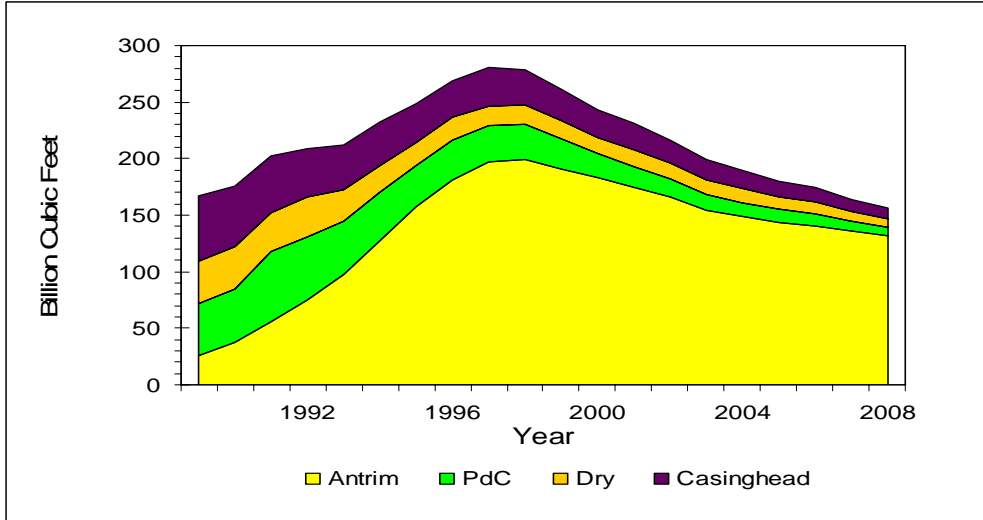


Figure 1: Gas Production Volumes by Michigan's Gas Producing Formations

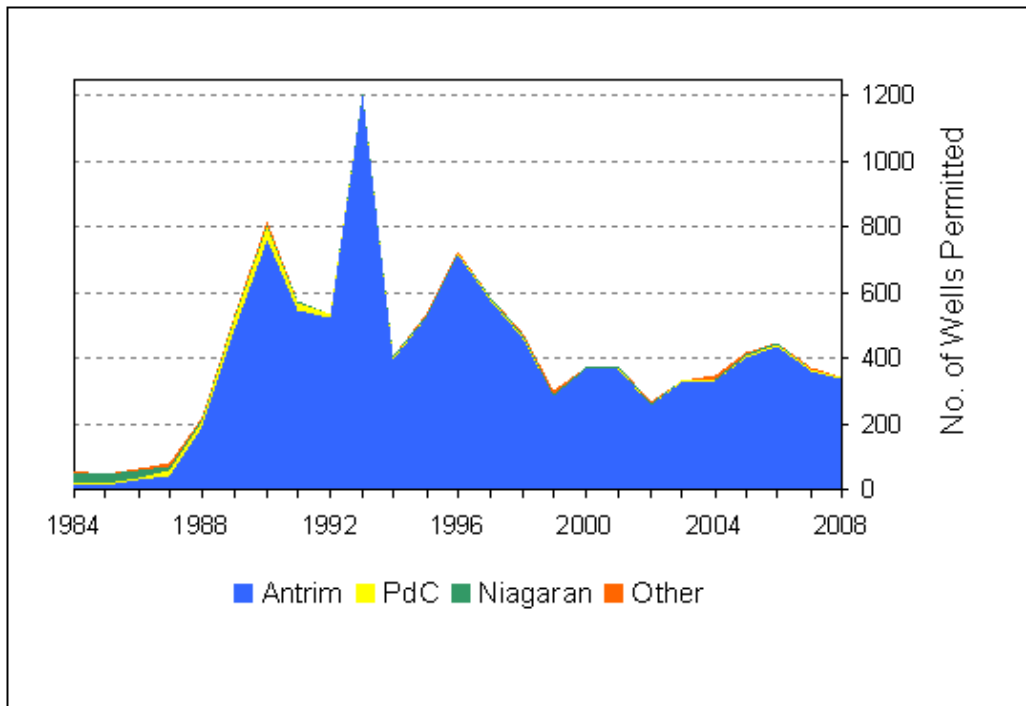


Figure 2: Permits Issued by Michigan's Gas Producing Formations

## **Federal and Regional Issues**

The price and reliability of Michigan's electric and gas supply are significantly affected by federal and regional decisions. 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 MISO. 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. It also coordinates regulatory oversight and formulates policy in the working group and board of director processes of the Midwest ISO, the Organization of MISO States (OMS), the PJM Interconnection, and the Organization of PJM States, Inc. (OPSI). OMS and OPSI are regional state committees made up of all the state commissions in their respective RTOs. Commissioner Monica Martinez served as the at-large member on the OMS Executive Committee in 2008, holding one of three state regulatory sector votes on the MISO Advisory Committee, and is a member of the OMS Board of Directors. Commissioner Steven A. Transeth is a member of the OPSI Board of Directors, and the OPSI Advisory Committee that oversees the relationship between PJM and its market monitor. In 2008, the Commission actively participated in almost twenty FERC dockets on its own initiative, or in conjunction with OMS or OPSI.

Through participation in OMS, the Commission has worked in on-going FERC proceedings on generator interconnection queue improvements; market power prevention; MISO

Module F resource adequacy proposals; redesign of MISO's revenue sufficiency guarantee process; MISO's Module F western markets expansion proposal; annual charges assessments for public utilities; use of demand response; role of market monitors; start-up of MISO's ancillary services market at the beginning of 2009; and the dockets resulting in Order 719 and Order 890. The last two dockets served to strengthen FERC's tariffs to ensure that they achieve their original purpose of remedying undue discrimination, facilitating FERC's enforcement, and increasing transparency in the rules applicable to planning and use of the transmission system. The ancillary services market implemented at the beginning of 2009 is calculated to achieve annual benefits of \$147 to \$301 million to the MISO market participants.

Through participation in OPSI, the Commission was active in the complaint filing against PJM by OPSI and others alleged violations of PJM's market monitoring plan with regard to the independence and operation of the PJM market monitor. The complaint requested FERC order PJM to cease and desist from engaging in the alleged actions, and to return PJM's market monitor group to its previous funding levels, infrastructure, and staffing levels. OPSI also asked FERC to direct PJM to remove its management from all supervision of its market monitor to modify the reporting relationship of the market monitor. The FERC order largely agreed with OPSI.

Other priorities have included implementing joint open regional transmission planning and cost allocation methodologies for transmission facilities to prevent undue discrimination and preference, and to facilitate the development of transmission needed to implement Michigan's new renewable portfolio standards. The Commission continues to work 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.

## **Michigan Planning Consortium**

In July 2008, the Michigan Public Service Commission (MPSC) established the Michigan Planning Consortium (MPC) to improve the planning process for electricity infrastructure projects and identify possible ways to reduce costs to ratepayers. The initial goals of the MPC include the following:

- Ensuring adequate sharing of information throughout the planning process on a local and detailed level.
- Evaluating energy infrastructure alternatives, including proposed transmission projects.
- Examining the cost effects of various alternatives on Michigan customers.
- Recommending the most effective ways for Michigan stakeholders to participate in regional planning processes, and related state and FERC proceedings, including MPSC Act 30 certification proceedings.

The Commission directed the MPSC Staff to work with involved stakeholders, including, but not limited to, representatives from regional transmission organizations, transmission owners, generators, distribution companies, independent power producers, and alternative energy suppliers. Commission Staff organized and continues to co-chair three separate workgroups of stakeholders focused on meeting the objectives that were set out for the Consortium. The workgroups will continue to meet monthly and will draft a report to Commission due in July of 2009.

## **Renewable Energy**

Because of state legislative action, 2008 was a noteworthy year for Michigan renewable energy. During 2008, the Commission was frequently engaged in analytical work regarding Michigan renewable energy, often in response to inquiries from the Legislature that was actively engaged in drafting the legislation. The most significant change was the enactment of Michigan's Clean, Renewable and Efficient Energy Act of 2008, which includes requirements for electricity suppliers to adhere to a renewable portfolio standard (RPS), reaching 10 percent

by 2015. The new Act also establishes a statewide net metering program for customer generators up to 550 kW and a total for each utility up to one percent of its in-state peak load.

The Commission directed 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. As a result of the net metering provision in the new Act, Michigan interconnection standards and net metering rules are being combined. By the end of 2008, draft rules were poised to enter the formal rulemaking process.

The Michigan Climate Action Council (Council) was established on November 14, 2007, when Governor Jennifer M. Granholm issued Executive Order No. 2007-42. Included in the Council's responsibilities is development of a comprehensive climate action plan with specific recommendations for reducing Michigan greenhouse gas emissions. Council meetings and activities were ongoing throughout 2008. Commissioner Monica Martinez serves on the 36-member Council appointed by Governor Granholm. Additionally, many Commission Staff serve on the six technical working groups that provide recommendations for policy options, along with data and assistance with analysis, to the Council. On April 30, 2008, the Council issued its interim report on April 30 and finalized its Greenhouse Gas Inventory and Reference Case Projections in November. The Council's final report will be issued on March 1, 2009.

The Commission also serves on the Midwest Governors Association (MGA) Renewable Electricity advisory group. This group is providing recommendations regarding implementation of the MGA Energy Security and Climate Stewardship Platform for the Midwest, which was adopted in November 2007.

In 2008, Staff also produced and filed with the Commission two major MREP reports: the 2007 MREP Data Report and the MREP Net Metering Program Report for the year ended June 30, 2007.

The Commission made presentations at eight renewable energy conferences and workshops. In addition, the Commission helped to plan and made a presentation at a wind energy and transmission conference held in Detroit and at a national summit on renewable portfolio standards in Chicago.

In October, the Commission held Michigan Renewable Energy Program meetings in Escanaba on biomass energy, in Ann Arbor on solar energy, and in Cadillac on wind energy. These were coordinated to coincide with the Commission's Consumer Forum meetings held in each city on the same day. The Commission used its toll-free teleconference and webconference capability to allow people to attend in person or participate from remote locations. Whenever possible, MREP meetings are now offered with teleconference and webconference capability, in addition to attendance in person.

## **Regulated Energy Division**

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

The Regulated Energy Division (RED) provides the Commission with technical assistance and recommendations to ensure that regulated electric, gas, and steam 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. RED is responsible for all regulatory oversight of the MPSC-regulated energy utilities in the State, including recommendations of appropriate utility rates. The Division administers the Commission's Gas Cost Recovery and Electric Power Supply and Cost Recovery Programs, Uniform System of Accounts, Annual Reports, and Utility Tariff Books. RED is responsible for oversight of Michigan's electric and natural gas customer choice programs, including administering the Commission's Code of Conduct, tariff rules, and the licensing of alternative electric and gas suppliers. RED is comprised of five sections, Revenue Requirements, Act 304 and Sales Forecasting, Act 304 Reconciliations, Financial Analysis and Customer Choice, and Rates and Tariffs. In 2008, RED Staff were involved in a total of 151 electric and natural gas related cases in which the Commission issued orders.

### **Rate Cases**

In 2008, the Commission issued four orders approving rate changes for Consumers Energy, Wisconsin Electric Power Company, and Detroit Edison.

On June 10, 2008, the Commission issued an order in Case No. U-15245 that authorized Consumers Energy to increase electric rates by \$27,468,600. The increase was 60 percent lower than the \$68,869,000 requested by the Company. The order resulted in an increase of \$2.64 to the average residential customer's monthly bill. The order also reduced the subsidy paid by

commercial and industrial customers by almost \$20 million. In order to help mitigate the rate increase to some customers, the Commission approved a new \$6.00 per month credit for low-income customers, and a \$3.00 credit for senior citizen customers who were currently receiving a discount.

On November 13, 2008, the Commission approved a settlement agreement in Case No. U-15500 that allowed Wisconsin Electric Power Company to increase electric rates by \$7,249,185, a 67 percent reduction from the \$21,976,276 requested by the company. The rate change resulted in an increase of \$5.24 to the average residential monthly bill.

The Commission approved a settlement agreement on December 23, 2008, in Case No. U-15506, authorizing Consumers Energy to increase annual natural gas revenues by \$22.4 million. The authorized increase was 75 percent below the company's initial request of \$91.1 million. As a result of the increased rates, the average residential customer's monthly bill increased by \$1.20.

On December 23, 2008, the Commission issued an order in Case No. U-15244 that authorized Detroit Edison to increase annual revenues by \$83,626,000. Detroit Edison's original request of \$284 million was 71 percent higher than the approved amount. The average monthly bill for a residential customer increased \$2.51. In compliance with Public Act 286 of 2008, Detroit Edison's new rates reflect the process to realign rates within a five year period.

## **TIER Cases**

In 2008, the Commission approved three Rural Electric Cooperative settlement agreements authorizing revised rates for the sale of electricity, which was supported through the times interest earned ratio (TIER) mechanism. The TIER mechanism is used by Michigan Rural Electric Cooperatives to help determine the need to change rates. Thumb Electric Cooperative



(Thumb), Cloverland Electric Cooperative (Cloverland), and HomeWorks/Tri-County Electric Cooperative (HomeWorks) were authorized to increase rates. In a settlement agreement approved for Great Lakes Electric Cooperative (Case No. U-15062-R) dated December 23, 2008; a TIER increase was not required.

On September 23, 2008, the Commission approved a settlement agreement for Thumb Electric in Case No. U-15014-R. The order authorized Thumb Electric to increase its rates by \$496,323 (3.22 percent of total revenues) resulting in an average monthly bill increase of \$2.37 for residential customers.

The Commission approved Cloverland Electric’s settlement agreement on December 4, 2008 in Case No. U-15011-R. Cloverland was authorized to increase its rates by \$956,904 (4.5 percent of total revenues). The average increase on a residential customer’s monthly bill was \$2.37.

On December 23, 2008, the Commission approved HomeWorks settlement agreement in Case No. U-15064-R. The order authorized HomeWorks to increase its rates by \$503,027 (1.4 percent of total revenues). This equates to an increase of \$1.41 in the average monthly bill of a residential customer.

<b>Utility</b>	<b>Rate Change/Increase</b>	<b>Typical Residential Monthly Bill Increase</b>
Cloverland	\$956,904	\$2.37
Consumers Energy - electric	\$27,468,600	\$2.64
Consumers Energy – gas	\$22,400,000	\$1.20
Detroit Edison	\$83,626,000	\$2.51
HomeWorks	\$503,027	\$1.41
Thumb Electric	\$496,323	\$2.37
Wisconsin Electric	\$7,249,185	\$5.24

## **Power Purchase Agreement Cases**

On June 10, 2008, the Commission approved a settlement agreement that assured power from the Midland Cogeneration Venture Limited Partnership (MCV) (Case No. U-15320) to serve Michigan's needs for the remaining 17 years of the plant's contract life. The settlement agreement reduced Consumers Energy's fixed cost payment in exchange for changes in operations that ensures the MCV plant runs only when economical, and is estimated to save ratepayers over \$40 million per year. In addition, the agreement requires that \$5 million annually provides support for renewable energy in Michigan. The MCV is a 1240 megawatt gas-fired power plant located in Midland, which provides approximately five percent of Michigan's electric capacity.

The Commission also approved Wisconsin Public Service Corporation's settlement agreement in Case No. U-15522 (dated August 12, 2008). The order approved capacity charges associated with a power purchase agreement from a wind generating facility of Forward Energy LLC.

In addition, Detroit Thermal, LLC, filed an application for *ex parte* approval of a steam purchase agreement with Shubh Hotels Detroit, LLC, d/b/a Detroit Riverside Hotel, that was approved by the Commission in Case No. U-15710 dated December 4, 2008.

## **Securitization Cases**

On February 12, 2008, the Commission authorized an increase in Detroit Edison's bond principal and interest securitization surcharge to 3.71 mills/kWh and the tax surcharge to 1.31 mills/kWh (Case No. U-12478). By September 23, 2008, the Commission approved a settlement agreement authorizing Detroit Edison to implement a revised Securitization Bond tax charge of 1.38 mills/kWh.

Consumers Energy's securitization surcharge was authorized to change in Case No. U-12505 (dated November 13, 2008), and increased the securitization bond and tax charges to 1.258 mills/kWh and the tax surcharge to 0.611 mills/kWh.

### **Accounting and Depreciation Cases**

The Commission authorized Michigan Consolidated Gas Company (MichCon) in 2003 to recover incremental uncollectible accounts expenses each year as measured by the Uncollectible Expense Tracker Mechanism. On December 23, 2008, the Commission approved MichCon to recover uncollectible accounts expenses for 2007 totaling \$34.4 million (Case No. U-13898).

### **Tariff Administration**

Utilizing its electronic tariff processing system implemented in 2004, the Commission efficiently processed 381 electric and 188 natural gas tariff sheet filings in 2008. The Commission also issued three orders that caused the reformatting of all of the rate books for rural electric cooperatives and investor owned utilities:

- Case No. U-14851, November 13, 2008
- Case No. U-14852, May 20, 2008
- Case No. U-14853, May 20, 2008

This represented the first time in 27 years that the rate books were completely reformatted and the volume number increased across the board. Utility tariffs are electronically available in the utility rate books sections of the Commission and utility companies' Web sites and in hardcopy at the Commission's office.

## **Act 304 Recovery Programs**

### **Gas Cost Recovery Program**

The Commission conducted over 25 natural gas cases, including seven gas cost recovery (GCR) plans for the 2008-2009 plan year, six GCR cost reconciliations for the 2006-07 plan year, and seven GCR cost reconciliations for the 2007-2008 year in accordance with 1982 PA Act 304, MCL 460.6h *et. seq.* (Act 304). In addition, seven GCR plans for the 2009-2010 year were filed in December 2008. In Case No. U-15129, the Commission issued an order approving a settlement agreement in which SEMCO Energy Gas Company was authorized to incorporate a GCR clause into the rates of its Battle Creek Division. This approval resulted in the addition of an annual plan and reconciliation proceeding for SEMCO Energy Gas Company's Battle Creek Division. Monthly updates of the GCR factors for each regulated natural gas utility are available on the Commission's Web site.

### **Power Supply Cost Recovery Program**

The Commission conducted over 65 electric cases, including 18 power supply cost recovery (PSCR) plans for both 2008 and 2009, 18 PSCR cost reconciliations for 2007, and various other electric cases related to 1982 PA 304, MCL 460.6j *et. seq.* (Act 304). Monthly updates of the PSCR factors for each regulated electric utility and regulated electric cooperative are available on the Commission's Web site.

In Case No. U-15648, the Commission established a steam supply cost recovery clause related to 2008 PA 132, MCL 460.6r *et seq.* (Act 132). The Commission approved Detroit Thermal, LLC's request (Case No. U-15456 dated June 10, 2008 & Case No. U-15636 dated November 13, 2008) to incorporate into its rates a steam supply cost recovery factor of \$16.26 per thousand pounds of steam.

In June 2008, the Commission issued the Consumers Energy rate case order. In this order, the Commission approved the transfer of Palisades nuclear plant (sold to Entergy in April 2007) costs of about \$69 million from base rates to recovery in PSCR cases.

## **Customer Choice Programs**

The Commission received and responded to a total of 5,482 complaints and inquiries on natural gas and electric customer choice issues in 2008. On February 22, 2008, the Commission began an investigation into the marketing and customer service policies and practices of Universal Gas & Electric Corporation, Case No. U-15509. The Commission Staff's investigation of the company raised questions, which resulted in the Commission ordering a formal, contested complaint proceeding in Case No. U-15577. In December 2008, these cases were still pending before the Commission.

### **Electric Customer Choice**

The Commission issued 158 orders in 2008 to implement the framework for Michigan's electric customer choice programs and the provisions of Public Act 141 of 2000, the Customer Choice and Electricity Reliability Act, and the newly enacted energy law, Public Act 286 of 2008.

The overall number of electric choice program customers and megawatts (MW) declined in 2008 as higher wholesale energy prices increased along with Alternative Electric Suppliers (AES) operating costs. A total of 3,717 commercial and industrial customers were enrolled in Detroit Edison and Consumers Energy electric choice programs during the year. The statewide number of MW served by AESs totaled 770 MW of load.

There are 26 licensed Alternative Electric Suppliers (AES) in Michigan. The Commission issued a new AES license to The Royal Bank of Scotland plc and rescinded three

AES licenses that were issued to Peoples Energy Services Corporation, Suez Energy Resources NA, Inc., and Dillon Energy Services Inc. Universal Gas & Electric was granted an AES license in 2008 that was rescinded about a month later.

Since 2001, the cooperatives have phased-in customer choice for all commercial and industrial member-consumers with a peak load of 50 kW and above. On October 6, 2008, PA 286 changed the electric choice requirements for electric cooperatives. The new energy law now allows any retail customer of a rural electric cooperative with a peak of one megawatt or above to select an AES.

The annual 2008 report *Status of Electric Competition in Michigan* was submitted to the Governor and Legislature on January 30, 2009 as required by PA 141 of 2000. The report is available on the Commission's Web site.

### **Natural Gas Customer Choice**

The number of customers participating in the statewide natural gas choice programs decreased at the end of 2008 to 330,587 compared to 343,210 in the prior year. Alternative gas suppliers (AGS) served about 53 billion cubic feet (Bcf) of annualized natural gas sales compared to 54 Bcf at the end of 2007.

In 2008, the Commission issued three new AGS licenses to Realgy Energy Services, Spark Energy Gas, and U.S. Gas & Electric, Inc./dba Michigan Gas and Electric; and rescinded two AGS licenses that were issued to Charlevoix Energy Trading, LLC, and Peoples Energy Services Corp.

At the end of 2008, Consumers Energy's natural gas choice customers totaled 143,075, representing 22 Bcf of natural gas sales. Mich Con served 183,600 choice customers, representing over 30 Bcf of annual natural gas choice sales. SEMCO Energy served 3,912

choice customers representing about 0.2 Bcf. Michigan Gas Utilities Corp. (MGU) currently has one active alternative gas supplier who serves fewer than 100 customers.

### **Financial Analysis Information**

The annual *Financial & Operational Utility Reports* of the regulated utilities are available on the Commission's Web site for years 2004 to 2008. The Commission Web site provides blank working forms of reports for electric and natural gas utilities and telecommunication companies as well as for rural electric cooperatives and Act 9 companies. The *Quarterly Financial Reports on Michigan Electric and Natural Gas Utilities* are also available online for years 2004 to 2008.

## **Service Quality Division**

**Dr. 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 Service & Support and Service Quality.

### **Customer Service & Support**

#### **Customer Information and Education**

The Commission continued its public education outreach by developing five new consumer alerts: *Your Utility Meter – Accessibility and Location*; *Supplemental Home Heating Sources – Life Saving Tips*; *Make Sure Your Mover Has a License*; *Utility Deposits – What Business Owners Need to Know*; and *Utility Provider Contracts – What Business Owners Need to Know*. The meter relocation alert was translated into Arabic and Spanish and the business deposits alert was translated into Arabic. Sixteen other alerts were updated. All MPSC consumer alerts are available on the Commission's Web site. Approximately 500 alerts were mailed to customers who called the Commission requesting information on a particular utility 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 11,000 publications were distributed during 2008.

#### **Consumer Forums**

For the 21st 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 2008, forums were held in Detroit, Escanaba, Ann Arbor, Pontiac, Midland, Cadillac, and Benton Harbor. Over 150 consumers and community organization representatives attended the seven 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 lines. 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 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 2008, 36,572 calls were handled on the Commission's toll-free line, an 11 percent increase over 2007 (32,740). Initial call response time (reaching a staff contact person) averaged 54 seconds, an increase over the years from 24 seconds in 2007 and 32 seconds in 2006. Although there was an increase in activity, many of these issues were more complex and large volumes of consumers reported to the Commission during the same time period. 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 customer contacts, 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 customer 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 customer outreach.

### **Small Business Focus**

In keeping with the Governor's focus on providing a more business-friendly environment to attract new business and retain current small businesses in Michigan, the Service Quality Division initiated a program for small businesses. In calendar year 2008, 1,747 new business complaints were processed by staff. The most common complaints involved telecommunications billing issues, contract cancellation and deceptive marketing of alternative natural gas contracts, and delays in new electric service. New [Billing Practices Applicable to Non-Residential Electric and Gas Customers](#) were enacted that moderately eased deposit requirements for new and existing small commercial customers, especially during the space heating season.

### **Service Quality**

In 2008, the Commission received 14,091 energy (gas and electric) and 4,508 telecommunications complaints and inquiries. The 2008 total (18,599) represents a 17 percent increase over the total number of inquiries and complaints received in 2007 (15,848).

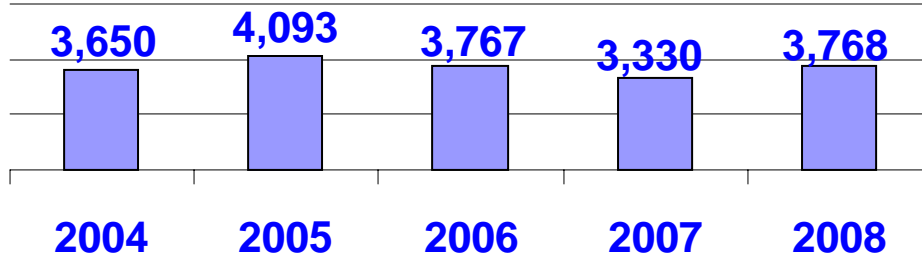
### **Energy (Gas and Electric)**

The number of energy complaints and inquiries handled by the Commission in 2008 increased 53 percent over the previous year. Much of the spike in activity was related to complaints regarding marketing, slamming, and cancellation issues from natural gas customers of Universal Gas and Electric (Universal). In response, Staff filed a formal complaint against Universal, Case Number U-15577. This proceeding will continue into 2009. Utility responses to

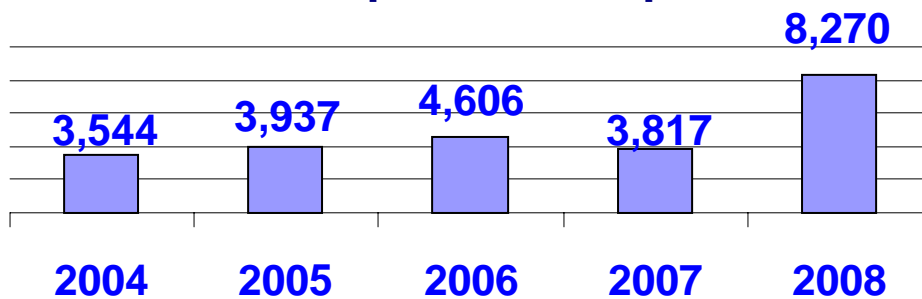
power outages also contributed to the large call volume. As a result, the Commission has opened Case No. U-15605, an investigation into storm damages in the territories of Consumers Energy and Detroit Edison.

Overall, most of the complaints and inquiries involved issues related to deceptive alternative supplier marketing, cancellation of alternative supplier service contracts, responsibility for bills, high billing costs, frequent outages, restoration of service, delays in new service, repetitive interruptions, repair and maintenance issues, and shut-off notices. Staff continues to strive to resolve each customer's complaint or answer the inquiry in accordance with the relevant rules and tariffs, while avoiding the necessity for customers to file formal complaints to request a hearing at the Commission.

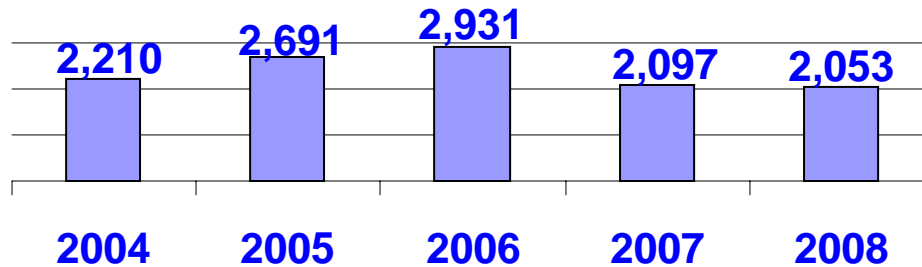
### Electric Complaints & Inquiries



### Gas Complaints & Inquiries



### Gas, Electric Combined Service Bill Complaints & Inquiries

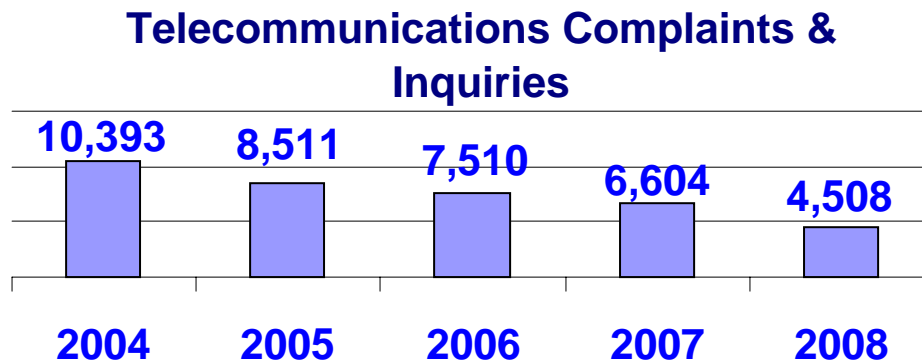


The Commission continues to work with the energy utilities to identify and resolve the “root causes” of the problems faced by customers, thus providing better customer service and improve overall service quality, reliability and billing. Specifically, Staff worked with Consumers Energy to streamline the complaint resolution process, further improving responsiveness to customer billing and service concerns. Staff also worked with Detroit Edison/MichCon to reduce uncollectibles resulting from foreclosures and other vacant housing. Staff’s efforts to improve reliability have been successful as evidenced by the overall number of calls concerning frequent outages declining 29 percent in the last two years. In addition, complaints and inquires regarding delinquent accounts throughout the state of Michigan have decreased 77 percent since 2006. High billing issues have been reduced by 42 percent and bill responsibility complaints diminished by 18 percent.

#### **Telecommunications**

The Commission handled 4,508 telecommunications complaints, a significant decline (57 percent) since 2004. The Staff has continued to work as an intermediary between customers and the companies to find solutions to customers’ complaints before they escalate to formal proceedings. For example, after the merger between Cavalier and Talk America, Staff noticed

an increase in complaints from Cavalier customers regarding porting and billing issues. Staff worked with Cavalier to ensure that customers' complaints were resolved and that steps were taken to avoid similar complaints in the future. This proactive approach to complaint resolution, in conjunction with trends in the industry (for example, the increased use of unregulated services such as wireless and Voice Over Internet Protocol), have contributed to the decline in regulated billing issues (43 percent) and regulated service complaints (38 percent) in the last two years.



Billing charges and credit issues remain the largest complaint category (675 complaints and inquiries), followed by general service issues, cramming, billing errors, repair problems and slamming.

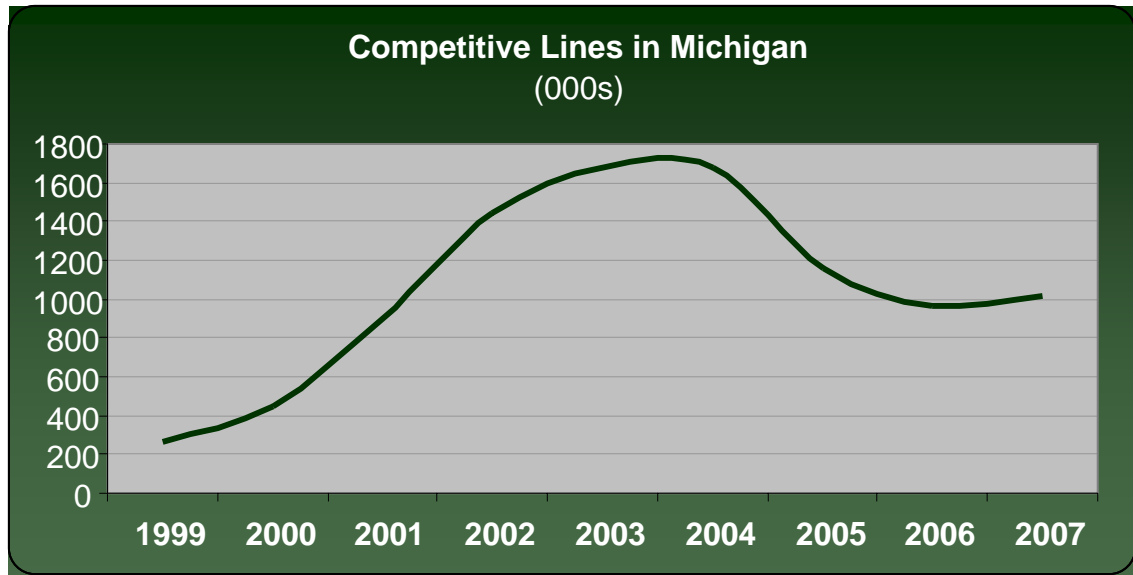
## **Telecommunications Division**

### **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 14 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 20.7 percent, or about 1,014,000, of the lines provided to customers in Michigan.



Based on 2007 data, competition in the wireline telecommunications market in Michigan increased following consecutive decreases in the level of wireline competition in 2005 and 2006. The number of lines served by CLECs via local wholesale arrangements was 233,052 lines or 23 percent of all CLEC line activity. Resale accounted for 86,140 lines, while lines served over unbundled network facilities were 386,080, and lines served via CLEC-owned facilities were 254,632. As of December 2008, there were approximately 196 Commission-approved interconnection agreements in effect between AT&T Michigan and its competitors and 119 Commission-approved interconnection agreements between Verizon and its competitors.

### **Cost Proceedings**

The Commission completed 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 by approving a settlement agreement including cost studies, and resulting reciprocal compensation rates on July 1, 2008.

The Commission completed a proceeding, in Case No. U-15035, to investigate and

review the TSLRIC of an additional 11 small independent telephone companies. The Commission also approved a settlement agreement relating to the cost studies and resulting reciprocal compensation rates of seven of these companies on July 1, 2008. The final four companies' cost studies were approved by Commission Order on August 26, 2008. The review of all necessary compliance filings is complete. The cost case initiated by the Commission in February 2007, for Verizon North and Verizon North Systems in Case No. U-15210, 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 November 12, 2008, Springport Telephone Company filed an application for approval to adjust rates for PBLES service and provide expanded local calling. This case, U-15734, remains under Commission review.

### **Provider to Provider Disputes**

On March 27, 2008, in Case No U-15534, Sprint Communications Company L.P. filed for arbitration of an interconnection agreement with CenturyTel Midwest-Michigan, Inc. On December 4, 2008, the Commission issued an Order approving an interconnection agreement between the parties.

On June 23, 2008, nine MECA rural ILECs filed for arbitration of interconnection agreements with T-Mobile USA, Inc. in Case No. U-15609. During the arbitration period, the parties settled the case and on October 21, 2008, this case was dismissed.



On September 11, 2008, TelNet Worldwide, Inc., filed a complaint against Michigan Bell Telephone Company, d/b/a AT&T Michigan, regarding certain 911 and backbilling issues in Case No. U-15655. Mediation failed to resolve this case and it therefore remains under Commission review pursuant to contested case procedure.

On December 8, 2008, Deerfield Farmers Telephone Company filed a petition for arbitration of an interconnection agreement with Verizon North, Inc., and Contel of the South, Inc., d/b/a Verizon North Systems, in Case No. U-15750. This case is currently under review by the Commission.

### **Expansion of Telephone Service into Unserved Areas**

Huron Mountain Communications Co. filed an application to provide basic local exchange service in a portion of the upper peninsula that is currently not served. The Order in this case, dated July 29, 2008, allows the company to begin the processes required to offer service in this area.

### **AT&T Performance Metrics**

On June 20, 2008, in Case No. U-11830, an order was issued that amended AT&T Michigan's existing Performance Measurements and Remedy Plan. The Commission approved the joint motion filed by AT&T Michigan and several CLECs.

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

The Metropolitan Extension Telecommunications Rights-of-Way Oversight Act (METRO), 2002 PA 48, MCL 484.3101 *et seq.*, (Act 48), is designed to stimulate the availability of affordable high-speed Internet access by simplifying the permit process and standardizing fees for local rights-of-way access. The Commission approved METRO Tax Credits for 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 – 2008, with quarterly updates during the year. This information is posted on the Commission's Web site. The Commission processed 83 notices of permit applications from municipalities in 2008. Of the 83 that were approved, 73 were for unilateral permits, and 10 were for bilateral permits.

### **Abbreviated Dialing Number 2-1-1**

During 2008, the Commission approved the following four existing 2-1-1 call centers to serve additional counties: The Jackson 2-1-1 Call Center, to serve Livingston and Lenawee counties, the Volunteer Center of Battle Creek to serve St. Joseph county, the Southeast Michigan United Way to Serve Washtenaw and Monroe counties, and Community Access Line of the Lakeshore, Inc. to serve Mason and Oceana counties. Currently, the entire upper peninsula and 20 lower peninsula counties are served by 2-1-1 call centers.

On March 11, 2008, the Commission determined that Michigan 2-1-1, Inc., should continue to serve as Michigan's statewide 2-1-1 coordinating agency until March 31, 2009. This will complete the third year of a three-year renewal process.

### **Abbreviated Dialing Number 9-1-1**

Public Acts 164 and 165 of 2007 directed the Commission to review and approve or disapprove individual county telecommunications device surcharges to fund county 9-1-1 operations. The Commission approved 22 county requested surcharges and adjusted 46 county requested surcharges. Fifteen counties did not request a county 9-1-1 surcharge.

In addition, on September 23, 2008, the Commission approved continuing the \$0.19 statewide 9-1-1 charge on every communications device in Michigan. This action concurred with the charge set by the Legislature in 2007.

Under PA 164 and 165, the Commission is also required to promulgate rules governing four areas of 9-1-1 administration including multiline telephone systems (MLTS), training standards for dispatch employees, and the receipt and expenditure of 9-1-1 funds. In 2008, Commission Staff consulted with the State 9-1-1 Committee in order to initiate this process.

PA 379, signed in law on December 23, 2008, changed the county 9-1-1 surcharge funding mechanism and provides a sunset to the Emergency Services Enabling Act on December 31, 2014.

### **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 403 carriers are registered.

### **Universal Service Fund**

In 2008, the Commission approved five carrier applications to become eligible telecommunications carriers (ETC) and approved two amendments. In total, the Commission approved the continued ETC designation for 51 wire line and wireless carriers to be eligible for federal Universal Service Fund support in 2009.

## **Protect MI Child Registry**

The Protect MI Child Registry, formulated pursuant to Public Act 241, marked its third-year anniversary of operation on July 1, 2008. 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, 2008, over 123,729 contact points are being protected by the Registry. These contact points include both individual contact points, as well as addresses associated with over 226 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 Energy, Labor & Economic Growth. The Department of the Attorney General is responsible for enforcement activities.

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

The Commission is 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 use on January 31, 2007.

As required by law, the Commission submitted the proposed dispute resolution process for handling cable/video complaints to the Michigan Legislature on May 31, 2007. The Legislature introduced two bills, HB 5048 and SB 637, to amend the Act, however, the Legislature did not act on those bills in 2008. The Commission is still awaiting the Legislature's approval of the dispute resolution process.

The Commission Staff began taking customer cable complaints on February 1, 2007. Despite inaction on HB 5048 and SB 637, Commission Staff has received a large volume of

customer cable complaints, with 1,030 complaints being addressed between January 1, 2008 and December 31, 2008. The Commission continues to receive formal complaints between providers and franchise entities. During 2008, the Commission received two additional formal complaints that were filed: *AT&T Michigan v. the City of Clawson* (U-15683) and the *City of Rogers City v. Charter Communications* (U-15527).

Per Section 12(2) of the Act, “The commission shall file a report with the governor and legislature by February 1 of each year that shall include information on the status of competition for video serviced in this state and recommendations for any needed legislation...” The Commission has separately submitted a much more in-depth report to the Legislature and governor on January 30, 2009 regarding the status of competition for video services in Michigan.

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

During 2008, SOAHR conducted 152 days of hearings and issued Proposals for Decision in 17 cases. In addition, 114 settled or undisputed cases were processed and transmitted to the Commission for its consideration. Administrative Law Judges also mediated six interconnection disputes between competing telephone service providers and chaired two Arbitration Panels.

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 Administrative Law Judges were responsible for conducting the proceedings in several more remarkable matters.

On March 30, 2007, Consumers Energy filed an application in Case No. U-15245 to increase its rates for the generation and distribution of electric energy by \$143.5 million. This request was later revised to \$68.9 million. Hearings took place through the remainder of 2007. Seventeen parties participated in the case and approximately 50 witnesses were presented for

cross-examination. A Proposal for Decision was issued on March 31, 2008 recommending final rate relief of \$25,497,000. On June 10, 2008, the Commission issued its final order authorizing Consumers Energy to raise electric rates by \$27,468,600 annually.

Finally, a unique case of first impression was also concluded. Case No. U-15234 involved a dispute between the City of Taylor and Detroit Edison. In 1999, the City of Taylor and the Michigan Department of Transportation began planning the reconstruction of Telegraph Road in the City of Taylor. The underground relocation of Detroit Edison's electric lines became a component of the project. In 2000, the City of Taylor adopted the Telegraph Road Improvement and Underground Relocation of Overhead Lines Ordinance that, in part, required Detroit Edison, at its sole expense, to undertake the underground relocation of its overhead lines. Detroit Edison objected. The issue presented was which entity is liable for the cost of the line relocation. Ultimately the matter turned on whether the relevant portion of Telegraph Road was a heavily congested business district within the meaning of Rule 7 of the Commission's Underground Electric Rules, R 460.517. After hearings, Briefs and Reply Briefs, the Administrative Law Judge determined that the relevant portion of Telegraph Road does not qualify as a heavily congested business district within the meaning of Rule 7 and therefore, Detroit Edison was not responsible for the line-relocating costs.

## **Media and Public Information**

The Commission issued 119 press releases resulting from Commission orders, programs and activities.

Press releases announced Commission action on a wide range of issues, including orders implementing Michigan's new energy laws; an investigation into electric power outages resulting from severe storms across Michigan; initiation of a pilot program to integrate plug-in hybrid electric vehicles into Michigan's electric grid; approval of a settlement agreement ensuring that electric power from the Midland Cogeneration Venture Limited Partnership will continue to serve Michigan's needs, saving ratepayers \$40 million annually; adoption of improved rules for business electric and natural gas customers; investigation into an alternative gas supplier's marketing and customer service policies and practices; establishment of 9-1-1 surcharges; and the issuance of the first competition in video services report.

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



## **Web site Activity (Michigan.gov/mpsc)**

In 2008, the Commission's Web site continued to be an important tool for the Commission, the utility industry, business and consumers. The usability of the Commission Web site was enhanced with a reorganization of consumer related information and the addition of the new Energy Grants area. The new site design that was planned for 2008 has been implemented in part, and the Commission's web editors have worked on a number of further changes that will start to appear in early to mid 2009. More uniformity in page layout and better consistency in page designs have been made during 2008 and further changes are expect to be accomplished in 2009. These changes are intended to improve the ability to locate information and improve site navigation.

Additional changes behind the scenes have also been made to improve the performance and reliability of the system. Operating software has been updated, security improved and vulnerabilities addressed. New computers were acquired to replace those hosting the Commission's e-file systems which had exceeded their useful operating life. One of these computers had a system failure in 2008 which temporarily forced the E-Docket system off line. The new servers are expected to be place into operations during the first quarter of 2009 resulting in better reliability, the ability to handle the growing number of E-Dockets, and to provide for a faster response. The public Wi-Fi access at the commission office has also been improved and the speed of the connection nearly doubled with further improvements in coverage planned for 2009. As always, the Commission Staff welcomes your ideas and suggestions.