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GOVERNOR

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DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
PUBLIC SERVICE COMMISSION

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CHAIRMAN

Greg R. White  
COMMISSIONER

March 1, 2010

Honorable Jennifer M. Granholm  
Governor of Michigan

Honorable Members of the Michigan Senate

Honorable Members of the Michigan House of Representatives

The enclosed *2009 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 Web site.

Equipped with the new legislation passed in October 2008, the Commission's focus turned to the three R's – rates, regulations, and renewable energy sources. Procedures for rate case filings, energy optimization plans, renewable energy plans, and reconciliations had to be developed or amended. Investigations were launched; licenses were granted, expanded, and terminated; and grants were awarded and received. The Commission continues to readily accept the challenge of doing 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 2009, the Commission maintained its commitment to address the needs of Michigan's low-income and senior citizens, awarding \$55 million for low-income energy assistance and \$14 million 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 \$26,697,943 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 29,473 calls on its toll-free line, and assisting consumers and businesses with more than 9,464 electric and natural gas and 3,040 telecommunications complaints and inquiries. Also, the Commission continued its initiative to assist small businesses with regulated utility complaints. This program processed 1,651 complaints for small businesses.

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

The Commission issued 488 orders, consisting of 133 telecommunications orders, 274 electric orders, and 81 natural gas orders. The Commission also issued 19 minute actions, including one delegating decision-making authority to the Director of the Motor Carrier Division, thus eliminating the need for a formal Commission order for decisions in modified procedure cases.

Among the orders issued by the Commission during 2009 were approvals of the construction of four new natural gas pipelines. Also, there were 161 gas well connection permits issued.

The Commission also revised the retail natural gas rates of Michigan Gas Utilities (twice) and the retail electric rates of Alpena Power Company, Consumers Energy Company and Upper Peninsula Power 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 May 2007 a process to be added to the Act that would allow the Commission to review unresolved disputes between a provider and its customer, disputes between a provider and a franchising entity, and disputes between providers. The Legislature approved this process when it passed Public Act 4 of 2009, which the Governor signed on April 2, 2009.

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

Greg R. White, Commissioner  
Michigan Public Service Commission

# MICHIGAN PUBLIC SERVICE COMMISSION

## 2009 ANNUAL REPORT

Orjiakor N. Isiogu, Chairman  
Monica Martinez, Commissioner  
Greg R. White, Commissioner

**MICHIGAN PUBLIC SERVICE COMMISSION**  
Department of Energy, Labor & Economic Growth

March 1, 2010

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## **Orjiakor N. Isiogu, Chairman**

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

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

Prior to 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.

Chairman Isiogu has served on delegations representing United States Energy Regulators at major international conferences in Africa and Europe. He is Co-Chair of the Smart Grid Collaborative effort between the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC). Mr. Isiogu is also a member of the NARUC Committee on Electricity and its International Relations Committee. He serves as a member of the Emergency Telephone Services Committee, as well as the Great Lakes Offshore Wind Council.

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



## **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 led new Commission consumer education and awareness efforts promoting low-income and senior programs, energy affordability via efficiency, and the value of generation resource diversity. Commissioner Martinez has taken an active role in promoting energy efficiency and renewable energy development in the state, playing a key role in the development of the state RPS and energy efficiency laws as well as their implementation. Governor Granholm appointed her to the Climate Action Council, where she oversaw policy direction related to carbon reduction solutions across all industries. As a result of her dedicated and passionate role in shaping Michigan's future energy policy, she was named Leader of the Year for 2009 by the Great Lakes Renewable Energy Association.

Recognized for her national leadership, Commissioner Martinez is the immediate past President of the Mid America Regulatory Conference and serves on various panels and task forces focusing on economic development, regional markets, at-risk customers, and services for the hearing impaired. In October 2009 she was elected Vice President of the Organization of MISO States (OMS) and will serve as the lead state representative on the Midwest ISO Advisory Committee, which advises the board of directors. She is also a member of the National Association of Regulatory Utility Commissioners (NARUC) and serves on the Consumer Affairs and the Telecommunications Committees.

Prior to her appointment to the Commission, Ms. Martinez served as the Governor's Deputy Director for Legislative Affairs, where she served as a key liaison to the Michigan Legislature and advised the Executive Office on policy and governmental relations. Her career also includes positions at 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.

Dedicated to community and public service, she serves as a liturgical minister at her church and provides pro-bono consulting services in strategic planning, marketing, and fundraising to non-profit charities.

Commissioner 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.



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

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

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

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

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

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

Mr. White holds a bachelor of science degree from Michigan State University and a master's of public administration from Grand Valley State University. He is an honorary lifetime member of Pi Alpha Alpha, the National Honor Society for Public Administration.

## **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 just and reasonable rates.

The goals of the Commission are to:

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



## **Staff Organization**

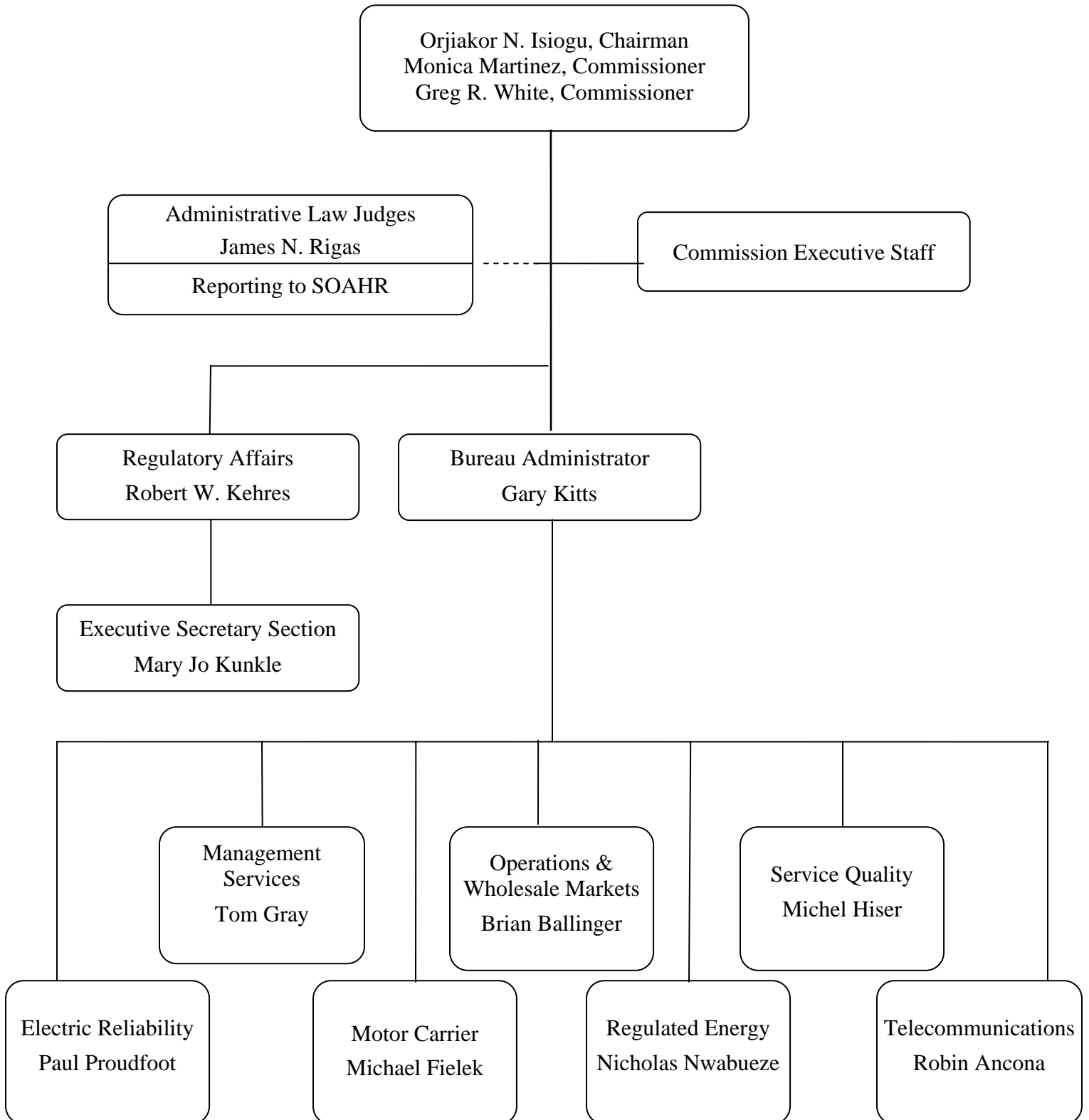
The Michigan Public Service Commission (MPSC) has a staff of 186, organized into eight Divisions: (1) Regulatory Affairs Division, which is primarily responsible for the drafting of Commission orders and administrative rules, and maintaining the Commission's files and official dockets; (2) Electric Reliability Division, which is primarily responsible for promoting the development of clean, renewable energy and conservation through energy optimization efforts; (3) Management Services Division, which is primarily responsible for administrative issues, energy grants, energy data and security, personnel issues, State and Federal Legislative Liaisons, and budgetary issues; (4) Motor Carrier Division, which is primarily responsible for regulation of motor carriers and water ferries; (5) Operations & Wholesale Markets Division, which is primarily responsible for ensuring safe, adequate, and reliable energy supplies; (6) Regulated Energy Division, which is primarily responsible for electric, natural gas, and steam utility ratemaking functions; (7) Service Quality Division, which is primarily responsible for assisting utility customers and enforcement of Commission rules relating to customer service; and (8) Telecommunications Division, which is primarily responsible for all aspects of the Commission's authority related to telecommunications services, as well as video franchise matters.

In addition to the Commission's eight Divisions, 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 18.7 per million population compared to the national average of 29.1 and an average of 24.2 in other Great Lakes states.

# Organizational Chart



## **Introduction**

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

## **Regulatory Affairs Division**

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

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

The Commission issued 488 orders in 2009, consisting of 133 telecommunications, 274 electric, and 81 natural gas orders. The Commission issued 19 minute actions, two of which pertained to Motor Carrier issues. On February 3, 2009, the Commission issued a minute action implementing Section 1(m) of 2008 PA 584, MCL 475.1(m), which delegated decision-making authority to the Director of the Motor Carrier Division, eliminating the need for a formal Commission order for decisions in modified procedure cases.

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

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

The Commission received and processed 8,701 official documents from applicants, complainants, respondents, intervenors, and other interested persons. This included documents resulting from 113 cases opened by Commission's Own Motion orders issued in December 2008 related to new legislation, changes to administrative rules, and investigations. The Commission also experienced a significant increase in consumer comments, including responses to Case Nos. U-15996 and U-16000, necessitating changes in staff procedures for posting comments

electronically. Staff grouped together voluminous comments into a single docket entry under the date received to facilitate docket searching capabilities.

The Commission issued 188 notices of hearings and notices of opportunity to comment. The notices were distributed to parties, submitted for publishing where applicable, and posted to the Commission's Web site. The Commission also coordinated publication of three notices of public hearings related to rulemaking proceedings.

Court reporters were scheduled for 314 Commission hearings.

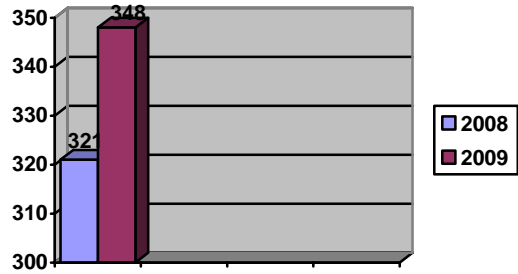
The Commission provides notice of Commission's Own Motion orders through an electronic notification system for telecommunications, electric and natural gas industry officials and interested parties. A total of 309 industry officials and interested parties subscribed to the automated electronic subscription list, reducing the Commission's copying and distribution costs and providing interested persons with nearly instant access to Commission orders.

### **Paperless Electronic Filings**

The Commission received 348 paperless electronic cases and posted 8,275 electronic filings from utility companies, intervenors, Commission staff, administrative law judges, the Attorney General, ratepayers, and court reporters to the E-Docket site. This continues 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. A total of 1,377 paperless cases have been filed with the Commission since electronic case filings were implemented in September 2003.

The Commission's Legal Edge case tracking system began operation in June 2008. Staff continues to work on refining custom reports and developing a new process to provide detailed information on all cases that will be made available to the public on the Commission's Web site.

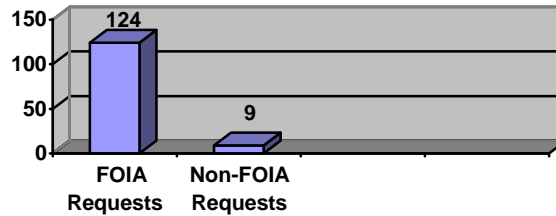
**Paperless Electronic Cases  
filed in 2008 & 2009**



### **Information Requests**

The Commission responds to information requests under the Michigan FOIA, as well as non-FOIA requests from regulated utility companies, the legal community, case proceeding participants, consultants, and the public on a broad range of issues. The Commission provided written responses to 133 information requests.

**Information Requests**



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

On March 2, 2009, the Commission submitted its 2008 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.

## Electric Reliability Division

### Paul Proudfoot, Director

Established in October of 2008, when Governor Jennifer Granholm signed Public Acts 286 and 295 into law, the Electric Reliability Division (ERD) was created and is responsible for providing the Commission with technical assistance and recommendations on electric and gas provider's energy optimization and renewable energy plans, implementing a net metering program, participating in the Wind Energy Resource Zone Board, providing technical assistance to Michigan Department of Environmental Quality on matters relating to the determination of electric generation alternative analyses, and review and issuance of Generation Certificates of Need for construction of new electric generation. The Electric Reliability Division is also responsible for evaluating reconciliation proceedings to ensure that electric and gas providers are meeting the targeted Energy Optimization and Renewable Energy goals set out in PA 295. The Electric Reliability Division is divided into three sections: Energy Efficiency, Generation & Certificate of Need, and Renewable Energy.

<b>Number of Orders Issued by Type and Industry (2009)</b>	
Energy Optimization Plans - Gas	6
Energy Optimization Plans - Electric	60
<b>Total EO Plans:</b>	66
Renewable Energy Plans (Electric)	83
Renewable Energy Contracts	6
Wind Resource Board Report	1
Electric Generation Alternatives Analysis	2
<b>Total</b>	<b>158</b>



## **Energy Efficiency Section**

### **Energy Optimization (EO) Plans**

The Energy Efficiency Section is responsible for assisting the Commission with the regulation of gas and electric companies in Michigan in regard to the requirements of Public Act 295. Ultimately, 66 EO Plans were reviewed by the Energy Efficiency staff and approved by the Commission. EO Plans include information regarding implementation dates, spending amounts, energy savings targets, surcharges, rates and implementation contractors, and specific details of residential, commercial and industrial programs. Several groups of providers collaborated on program design, which will provide a certain amount of program uniformity across the state.

Based on information gathered by Staff, the Commission concluded that, for 2009, the aggregate statewide spending for gas and electric EO programs was \$89,328,886 and the total spending statewide for the next three years will be \$406,132,197. The Commission also used this information to help determine that the aggregate statewide gas and electric energy savings target of 563,528 Mcf, approximately 0.1 percent of the statewide retail gas sales level, and 24,039 megawatt-hours (MWh), approximately 0.3 percent of the statewide retail electric sales level. The Commission evaluated EO surcharges and rates to assure they were fair and equitable for all customer classes, and calculated that for a typical residential electric customer using 500 kWh per month, the average surcharge is 73 cents per month. For a typical residential gas customer using 100 Ccf per month, the average surcharge is \$1.37 per month.

### **EO Collaborative**

The Staff was also responsible for establishing an **EO Collaborative**, as instructed in the Commission orders approving Consumers Energy (U-15805) and Detroit Edison's (U-15806) EO plans. The Collaborative includes all electric and gas providers subject to the Commission's

jurisdiction under PA 295, energy efficiency experts, equipment installers, and other interested stakeholders. The EO Collaborative is made up of three workgroups: Program Design and Implementation; Evaluation; and Low Income. Initial goals for the Collaborative workgroups included: 1) make recommendations for improving EO Plans for all providers, 2) provide program evaluation support and develop any needed re-design and improvements to energy efficiency programs, 3) update and refine the Michigan Energy Measures Database (MEMD) on the basis of actual experience, and, 4) promote economic development and job creation in Michigan by providing a forum to connect Michigan manufacturers, suppliers and vendors with utility EO programs.

### **Michigan Saves Grant Program**

**Michigan Saves** is a non-profit organization dedicated to making energy efficiency upgrades and installations of small-scale renewable energy systems more affordable for all types of Michigan consumers-businesses, schools, municipalities, and residents. Regular meetings are held with Public Sector Consultants to monitor financing, program offerings, and the program implementation schedule. Public Sector Consultants held meetings pertaining to financing, program goals and design, and potential partners.

### **Efficiency United**

Section 91 of PA 295 created an option for utilities to offer energy optimization services through an energy optimization program administrator selected by the Commission. After a proposal process, the Commission selected the Michigan Community Action Agency Association (MCAAA) to be the EO program Administrator. Regular meetings were held with MCAAA and its partners to monitor progress, provide input during the design and implementation of the EO programs, and ensure that services will be similar to, and coordinated

with, those of the other providers. These programs, collectively known as Efficiency United, began on November 30, 2009, and will be offered to the customers of the participating nine electric and four natural gas providers.

### **PA 295 EO Rulemaking**

The Staff assisted the Commission with the development of draft rules for implementing PA 295. The Commission has submitted rules to the State Office of Administrative Hearings and Rules (SOAHR) with the final rules expected to be promulgated in advance of the next EO plan filings due in 2010.

### **EO Report to the Legislature**

As required by PA 295, the Commission submitted a report outlining its efforts to implement energy conservation and energy efficiency programs and measures. The [Energy Optimization Report](#) was submitted to the standing committees of the Senate and House of Representatives on November 30, 2009. Included in this report were specific details regarding the Commission's work and appendices with charts, graphs and diagrams summarizing specific programs, spending amounts, target amounts, implementation contractors, and low income information.

## **Generation & Certificate of Need Section**

### **Michigan Planning Consortium (MPC)**

In July 2008, the Commission established the 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 included 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 MPC membership included Commission staff, representatives from regional transmission organizations, transmission owners, generators, distribution companies, independent power producers, and alternative energy suppliers. The MPC submitted its report with recommendations to the Commission on July 31, 2009.<sup>1</sup>

### **Electric Generation Alternatives Analyses (EGAA)**

On April 7, 2009, the Michigan Department of Environmental Quality (DEQ) notified both Consumers Energy Company and Wolverine of its intent to request an EGAA to assist the DEQ in responding to comments regarding the need to consider alternatives to the proposed coal-fired electric generating units (EGUs). On April 1, 2009, the Commission entered into a [Memorandum of Understanding](#) (MOU) with the DEQ, in which the Commission agreed to provide technical assistance to the DEQ in determining need and evaluating alternatives to the proposed EGUs.

Pursuant to the MOU, the Commission had two tasks:

- Provide technical assistance to the DEQ on all matters related to the need for electric generation in the state, as it relates to the analysis that looks at alternatives to coal-fired generation.
- Review the alternatives analysis to assess whether energy efficiency, renewable energy, or other alternatives meet future electricity needs.

The Commission subsequently issued an order in Commission Case No. U-15958 to establish procedures for the Staff to conduct an alternatives analysis review and to provide other technical assistance to the DEQ pursuant to the directives in the MOU.

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<sup>1</sup> [Michigan Planning Consortium Report](#).

Wolverine filed an EGAA on June 8, 2009. In accordance with the MOU, the Staff reviewed Wolverine's EGAA and the subsequent public comments and provided its findings to the DEQ on September 8, 2009. Wolverine's application for the proposed plant's air permit is still pending with the DEQ.

On June 5, 2009, Consumers Energy submitted an EGAA to the DEQ and the Commission. On September 8, 2009, the Staff filed its findings with the DEQ. Consumers Energy was granted an air permit by the DEQ for the proposed facility on December 29, 2009. The Commission expects that Consumers Energy will be filing for a Certificate of Need (CON) for this proposed facility in 2010.

### **Electric Transmission Lines**

PA 30 of 1995 outlines options for utilities to apply for a Certificate of Public Convenience and Necessity (CPCN) for electric transmission lines. Wolverine applied for a CPCN for a new high voltage electric substation in the Traverse City area in late 2008. In March 2009, the Commission granted a CPCN<sup>2</sup> and approved a settlement between Cherryland Electric Cooperative (Cherryland), Wolverine, and Commission Staff. Wolverine and Cherryland anticipate the project will be completed in April 2010.

### **Expedited Certificates for Transmission Outlined in PA 295 of 2008**

PA 295 of 2008 outlines a process for the Commission to declare areas of the state of Michigan as wind zones. Transmission projects designed to facilitate the utilization of wind energy in wind zones qualify for an optional expedited certificate, as outlined in the act. Due to the implementation of Michigan's renewable portfolio standard, and the expectation that the Commission will declare an area or areas of the state a wind zone in early 2010, the Staff has been preparing for expedited siting certificates under PA 295. The act requires that a certificate

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<sup>2</sup> [Order](#), MPSC Case No. U-15680.

for a proposed transmission line that facilitates transmission of electricity generated by wind be decided within 180 days. Staff expects that filings for expedited transmission certificates will be filed in 2010.

### **Regional Planning**

Planning for both transmission and generation within the State of Michigan are evaluated in both local and regional contexts. The Commission participated in the following regional planning initiatives:

- Eastern Wind Integration & Transmission Study (EWITS) – sponsored by NREL, this study looked at potential transmission needs and operating impacts associated with 20 percent and 30 percent wind energy requirements in the Eastern Interconnect.
- MISO Supply Adequacy Workgroup - this is the primary stakeholder workgroup where proposed revisions to the MISO resource adequacy constructs are vetted.
- Midwest ISO Loss of Load Expectation Workgroup – this stakeholder workgroup provides guidance to MISO on loss of load expectation modeling that calculates the planning reserve requirements for the utilities in the region.
- Organization of MISO States Cost Allocation and Regional Planning (CARP) Initiative – ERD Staff provided support to OWMD Staff regarding modeling assumptions.
- Organization of MISO States Workgroups – ERD Staff supports OWMD Staff with participation in the OMS Modeling Workgroup and the OMS Regional Planning Workgroup.
- Transmission Planning Activities at the MISO including participation in the MISO Planning Subcommittee, the Midwest Transmission Expansion Plan (MTEP) Sub-regional planning activities, and ERD Staff actively participates in the MISO Michigan Technical Task Force which examines the details of proposed transmission projects in Michigan.

## **Renewable Energy Section**

### **Renewable Portfolio Standard (RPS) Implementation**

Renewable Energy (RE) Section is responsible for assisting the Commission with the implementation and oversight of electric providers' plans in accordance with PA 295, which

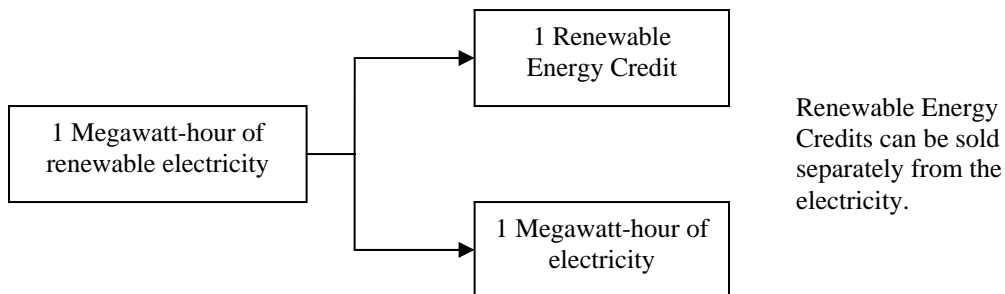
requires that each electric provider must achieve 10 percent<sup>3</sup> renewable energy in its retail supply portfolio by 2015.

### Renewable Energy Plans

The Staff reviewed and recommended approval of 83 electric providers' 20-year renewable energy plans within 90 days of each provider's filing date. Two of the plans required full contested case hearings in which Staff provided testimony.

### Renewable Energy Credits

Compliance with Michigan's RPS is Renewable Energy Credit (REC) based. One REC is created for every MWh (1 MWh = 1,000 kilowatt-hour) (kWh) of renewable energy generated. Additionally, incentive RECs can be created based on specific characteristics outlined in PA 295 (e.g., solar earns two extra Michigan incentive RECS, for a total of three RECs, for each MWh generated).



RECs will be validated and certified by the Michigan Renewable Energy Certification System (MIRECS). REC prices are market-based, with current price estimates varying widely, from less than a penny to as much as 7 cents per kWh.

<sup>3</sup> Ten percent renewable energy is a nominal figure. Actual totals may be somewhat less than 10 percent, due to the availability of Michigan Incentive Credits and possible substitution of Advanced Cleaner Energy Credits and Energy Optimization Credits.

On August 11, 2009, the Commission issued a Minute Action approving the contract designating APX, Inc., as the Renewable Energy Credit and Tracking Program Administrator for the MIRECS tracking system. MIRECS was launched on October 30, 2009.

### **PA 295 RE Rulemaking**

The Commission developed draft rules for implementing PA 295. Those rules were submitted to the State Office of Administrative Hearings and Rules (SOAHR) with the final rules expected to be promulgated in 2010, in advance of the next RE plan filings.

### **Energy Efficiency Conservation Block Grants**

On March 27, 2009, the U.S. Department of Energy released the guidelines and funding allocations for the Energy Efficiency Conservation Block Grant (EECBG) component of the American Recovery and Reinvestment Act of 2009. The Department of Energy, Labor, & Economic Growth - Bureau of Energy Services (BES) received approximately \$11.76 million to help fund non-entitlement community EECBG projects through a competitive bid solicitation. Commission Staff began providing review assistance to BES staff on November 4, 2009. Of 286 proposals received, 125 are expected to receive funding (108 Multi-Purpose, 17 LED Demonstration). Of the funded projects, 17 Multi-Purpose projects include renewable energy components.

### **Low-Income Energy Efficiency Grants**

The Electric Reliability Division played an integral role in developing concepts for five of the Commission's 2009 Michigan Energy Efficiency Grant solicitations. This resulted in approximately \$27.7 million in RFPs being issued. In addition, the Staff provides on-going assistance to several grantees. ERD's involvement resulted in awards for: Renewable Schools,



Michigan Saves, Renewables for Local Governments, Smart Grid Energy Storage, and Offshore Wind Technology.

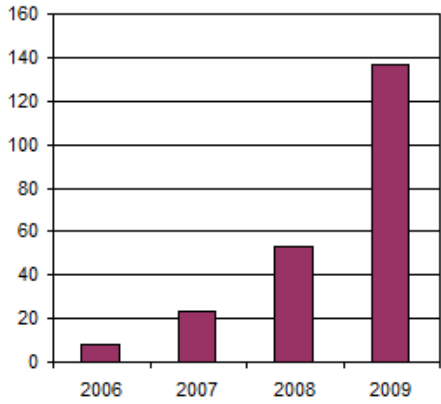
### **Wind Energy Resource Zone (WERZ) Board**

The WERZ Board was established as part of PA 295. The 11-member board was charged with the responsibility to conduct studies and identify areas of the state with the highest potential for wind energy production. The WERZ Board issued a draft report detailing its findings on June 2, 2009. In addition to receiving written comments from local units of government and the general public, the Board held public hearings in Bad Axe and Scottville. The Board issued its final report on October 15, 2009, identifying four regions with the highest wind energy potential. The board is scheduled to dissolve on January 13, 2010.

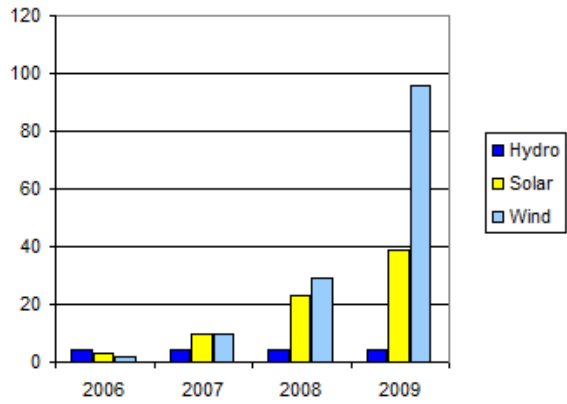
### **Net Metering**

Net metering in Michigan was significantly changed by the new net metering provisions in PA 295. On May 27, 2009, administrative rules to streamline the electric utility interconnection process and implement the new net metering program became effective. Net metering is available for customer generators up to 20 kW and modified net metering is available for customer generators up to 550 kW, with a total program size for each utility up to one percent of its in-state peak load. The net metering program experienced considerable growth over the last year, with participation more than doubled from 53 to 137 customers. The Commission continues to address interconnection issues and complaints as they arise.

**Total Number of Net Metering Customers**



**Number of Michigan Net Metering Installations by Technology Type**



\*Reported by MPSC-Rate Regulated Utilities and Cooperatives

## **Management Services Division**

### **Tom Gray, Director**

The Management Services Division (MSD) is responsible for staff support to the Commission and for all activities related to administrative issues, energy grants, and energy data and security. MSD is responsible for the administration of the Low Income and Energy Efficiency Fund and the \$83.5 million/year grant program. Also, MSD is responsible for other programs including energy and utility forecasts, tracking the adequacy of the state's energy supply, researching, homeland security, and critical infrastructure protection, as well as Web site operations and applications. Finally, MSD is in charge of matters related to personnel, labor relations, training, budget, purchasing, building maintenance and technical support.

### **Energy Grants Section**

#### **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). On November 20, 2001, the Commission issued an order in Case No. U-13219, *In the matter, on the Commission's own Motion, Regarding Administration and Operation of the Low-Income and Energy Efficiency Fund*, establishing the procedural framework for the implementation and administration of the Fund. The Legislature appropriates monies annually from 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 13, 2009, the Commission issued an order in Case No. U-13129 amending the procedures set forth in Attachment A of its order dated November 20, 2001. The procedures

were amended to allow for the use of up to 10 percent of the monies available in the LIEEF annual appropriation for funding contractual services that are related to low-income assistance, energy efficiency, energy technology, and the objectives of 2008 PA 295, including renewable energy, energy optimization, and distributed generation.

On April 22, 2009, the Commission issued an order in Case No. U-13129 awarding \$5,500,000 in Michigan Energy Efficiency grants to design and coordinate a means to facilitate the successful installation and operation of small scale renewable energy systems and energy efficiency upgrades at multiple Michigan public and private K-12 schools, community colleges, junior colleges, and universities. Grants were awarded to three organizations:

<b>Organization</b>	<b>Award</b>
Elkton-Pigeon-Bay Port Laker Schools	\$1,000,000
Great Lakes Energy Service	\$1,000,000
Recycle Ann Arbor dba Energy Works Michigan	\$3,500,000

On April 22, 2009, the Commission issued an order in Case No. U-13129 awarding a Michigan Energy Efficiency grant to one organization in the amount of \$7,697,943. The grant was awarded to Public Sector Consultants to develop and implement a *Michigan Saves* system for financing the installation of energy efficiency measures and renewable distributed generation.

On August 19, 2009, through the Michigan Department of Management and Budget, Purchasing Operations, the Commission issued a Request for Proposal soliciting bids for an evaluator to review grants awarded from the LIEEF during fiscal years 2007, 2008 and 2009. On November 17, 2009, a contract totaling \$177,916 was awarded to Public Policy Associates, Inc.

On September 15, 2009, the Commission issued an order in Case No. U-13219 awarding \$55,000,000 in Low-Income Energy Assistance grants to aid low-income customers confronted

with energy shut-off, and provide preventive programs to reduce the number of customers experiencing energy shut-off. Grants were awarded to nine organizations:

<b>Organization</b>	<b>Award</b>
Department of Human Services	\$35,000,000
Downriver Community Conference	\$ 900,000
Inter-Tribal Council of Michigan, Inc.	\$ 150,000
Lighthouse Emergency Services	\$ 300,000
Michigan Community Action Agency Association	\$ 4,150,000
Newaygo County Community Services	\$ 3,000,000
Society of St. Vincent de Paul	\$ 500,000
The Heat and Warmth Fund	\$ 5,000,000
The Salvation Army	\$ 6,000,000

On September 15, 2009, the Commission issued an order in Case No. U-13129 awarding \$14 million in Low-Income Energy Efficiency grants to improve energy efficiency and reduce energy consumption of Michigan low-income residents. Grants were awarded to five organizations:

<b>Organization</b>	<b>Award</b>
Department of Human Services	\$10,361,522
Newaygo County Community Services	\$ 859,211
United Way for Southeastern Michigan	\$ 1,000,000
Urban Options, Inc.	\$ 917,894
WARM Training Center	\$ 861,373

On September 15, 2009, the Commission issued an order in Case No. U-13129 awarding \$1 million in Michigan Energy Efficiency grants to promote and increase the use of ENERGY STAR Compact Fluorescent Lamps (CFLs), and provide education for Michigan residents on the proper disposal and recycle of spent CFLs. Grants were awarded to seven organizations:

<b>Organization</b>	<b>Award</b>
Charter Township of Delta	\$122,788
Michigan Community Action Agency Association	\$337,489
Michigan GREEN	\$100,000
Newaygo County Community Services	\$110,495
Superior Watershed Partnership	\$179,228
Urban Options	\$100,000
West Michigan Environmental Action Council	\$ 50,000

On September 15, 2009, the Commission issued an order in Case No. U-13129 awarding \$8,500,000 in Michigan Energy Efficiency grants to design and coordinate a means to facilitate the successful installation and operation of small scale renewable energy systems and energy efficiency upgrades at multiple Michigan local government facilities. Grants were awarded to three organizations:

<b>Organization</b>	<b>Award</b>
Clean Energy Coalition	\$4,400,000
Michigan Suburbs Alliance	\$3,000,000
Northwest Michigan Council of Governments	\$1,100,000

On September 15, 2009, the Commission issued an order awarding \$4 million in Michigan Energy Efficiency grants to implement advanced energy storage technology through demonstration projects. Grants were awarded to two organizations:

<b>Organization</b>	<b>Award</b>
A123Systems, Inc.	\$2,000,000
Ford Motor Company	\$2,000,000

On November 20, 2009, the Commission issued a Request for Proposal (RFP) for Michigan Energy Efficiency grants in the amount of \$2 million. The purpose of the RFP was to obtain proposals from non-profits and universities that will conduct testing and/or perform studies to explore the feasibility of offshore wind technologies. The RFP incorporated a two-

step process that required applicants to submit a pre-proposal and, if selected, a full proposal at a later date. The Commission received four pre-proposals by the December 7, 2009 deadline. On December 11, 2009, two applicants were notified that they had been selected to submit full proposals. Full proposals were due January 11, 2010.

The LIEEF receives total annual funding of \$83,821,000 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 2008 PA 251, the Commission's Annual Report on the LIEEF was prepared and submitted to the state budget office, fiscal agencies, and legislative subcommittees on October 30, 2009.

## **Motor Carrier Division**

### **Michael Fielek, Director**

The Motor Carrier Division is responsible for technical and administrative support to the Commission in the area of motor carrier regulation. The division is comprised of two sections: Motor Carrier Credentials & Customer Service Section and Motor Carrier Safety & Compliance Section.

### **Motor Carrier Regulation**

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

Motor carriers operating solely in intrastate commerce and those operating in interstate commerce while also conducting intrastate commerce are required to obtain operating authority from the Commission. In 2009, the Commission received 250 applications for original operating authority. In addition, 18 applications for transfer to new ownership, five changes of operating name, 73 temporary and 48 permanent discontinuances of authority, and 26 reinstatements of authority from discontinuance were processed. The Commission also granted 143 requests for temporary operating authority.

The annual renewal of active and temporarily discontinued intrastate operating authorities was initiated in October 2009 with the mailing of 1,655 renewal forms. As of December 31, 2009, more than 5,300 Commission decals were issued for 2010.

#### **Insurance Filings**

Each motor carrier applying for intrastate authority is required to submit proof of commercial public liability/property damage (PL/PD) insurance. Over 2,600 PL/PD policies were received and processed in 2009.



## **Decals**

Intrastate carriers are required to register power units that are utilized in their authorized operations. Intrastate decal sales generated \$554,889 in 2009.

## **Safety and Compliance**

The Commission reviewed 249 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 2009, 28 amendments and additions to tariff filings were submitted for Commission approval. In addition, 22 new applications for household goods authority were processed. Motor Carrier staff processed 17 complaints and worked closely with the Michigan State Police Traffic Safety Division (MSPTSD) to conduct investigations regarding unlawful household goods operations.

Motor Carrier staff also actively worked 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. This was 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) is included in this public law and sets forth various changes to title 49 of the United States Code relating to regulation of motor carrier activities. SAFETEA-LU requires that, effective January 1, 2007, a Unified

Carrier Registration (UCR) System be established to replace, among other things, the Single State Registration System.

The Commission continues to participate as a member state of the UCR program. UCR application forms were mailed to private, for hire, exempt carriers operating in interstate commerce, interstate brokers, freight forwarders, and leasing companies in both Michigan and the Province of Ontario. In 2009, Michigan collected or received a total of \$3,031,731 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 has resulted in the degradation of state motor carrier safety programs. To this end, staff pursued remedies to decrease this shortfall in fee collection by increasing enforcement/compliance efforts through the Michigan State Police. In 2009, staff participated in two Special Transportation Enforcement Team (STET) exercises specifically related to enforcement of UCR requirements. In addition, amendments to the Motor Carrier Act adopted by the Legislature in 2008 (Act 584) greatly improved the enforcement community's ability to ensure compliance with the UCR.

In recognition of the shortfall in overall UCR revenue in 2009, the UCR Board suggested that the UCR fees be increased substantially in 2010. Although the UCR Board failed to reach an agreement on the exact amount of the fee increase, the Federal Motor Carrier Safety Administration proposed a substantial fee increase. The new fees are pending the approval of a

final rule establishing the new fee structure. Approval is anticipated during the first quarter of calendar year 2010.

### **Intrastate US Department of Transportation (USDOT) Numbering Program**

As of June 1, 2009, the Motor Carrier Division began issuing USDOT numbers for intrastate carriers with vehicles over 10,001 pounds Gross Vehicle Weight (GVW). This function was previously performed by the MSPTSD. Display of USDOT numbers is required by state law, and there is no charge to acquire the numbers. By staffing this program with Motor Carrier Division personnel, MSPTSD staff, previously committed to the USDOT program, was able to return to roadside enforcement. In 2009, the Motor Carrier Division answered 7,172 calls and issued 2,439 USDOT numbers.

### **Water Ferry Regulation**

There were no regulatory actions concerning Champion's Auto Ferry, Incorporated in 2009. The Staff continues to monitor ferry activity and provide information regarding customer concerns or complaints that may occur. Champion's Auto Ferry, Incorporated conducts auto and passenger ferry service between Harsens Island and Algonac.

### **Other Activities**

The Staff chaired the Motor Carrier Advisory Board. The Staff also continued the project to revise its antiquated Motor Carrier Information System.

## Operations & Wholesale Markets Division

### Brian Ballinger, Director

The Operations & Wholesale Markets Division (OWMD) 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 while enhancing Michigan's competitive economic environment. Three sections comprise the Operations & Wholesale Markets Division: Electric Operations, Gas Operations, and Energy Markets.

The Electric Operations Section is responsible for the electric reliability and service quality to jurisdictional electric utility customers under the service quality and reliability standards for electric distribution systems per Administrative Rule 460.701. The Gas Operations Section is responsible for the inspection of all natural gas jurisdictional pipeline operators (interstate pipelines and utilities) for safety per requirements of Public Act 165 of 1969 and USDOT requirements. The Energy Markets Section is responsible for recommending federal and regional electric and natural gas technical and policy issues to the Commission for Commission action in federal agency proceedings and regional transmission operator (RTO) stakeholder processes.

<b>MPSC Orders - OWMD (2009)</b>	
Act 69 Franchise for Natural Gas	1
Act 238 Gas Storage	1
Complaint for Gas & Electric	10
Gas Pipeline Construction Requests	4
Meter testing for Gas & Electric	1
Pole Attachment for Electric	1
Act 9 Gas Vacuum	6
<b>Total</b>	<b>24</b>

## Electric Operations Section

### Reliability and Service Quality

The Electric Operations Section administers rules regarding services supplied by electric utilities to Michigan customers such as: rules regarding underground electric lines, extension of electric service, electric distribution reliability standards and service quality, enforcement of the National Electrical Safety Code, pole attachments, electric customer complaints, and animal stray voltage contacts.

In 2009, the Commission continued to closely monitor the capacity and load of the Consumers Energy Company and the Detroit Edison Company during the summer period. It is critical that power supplies are sufficient to meet the demands of the hot summer months. The summer peak loads for 2009 were lower than in previous years across the Midwest Independent Transmission System Operator (MISO) footprint due to mild weather and a sluggish economy.

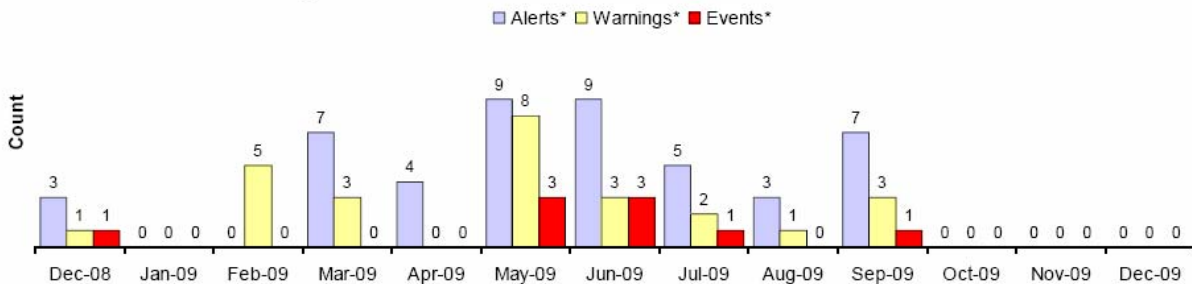
MISO is responsible for determining, declaring, and communicating when capacity emergency is forecasted, occurring, or has ended in MISO's Market Area, and for providing direction to Local Balancing Authority, Transmission Operators, Generator Operators and Market Participants to manage capacity emergencies, however the Michigan Electric Coordinated Systems Local Balancing Authority is responsible for implementing of procedures in response to MISO directives. MISO may issue Maximum Generation Alerts in shortage situations during peak usage times. MISO issued three such alerts for all capacity resources that would be deliverable into the warning area. MISO takes the lead under its emergency procedure when electric supply is short, such as during peak usage times. The western portion of MISO experienced generation outages and transmission constraints on the system and those events were monitored, but did not impact Michigan reliability.

In contrast to Maximum Generation Alerts, MISO issues Minimum Generation Alerts during low usage periods when there is a surplus of generation running at their minimum generation levels. MISO issued 52 Minimum Generation Alerts, 41 Minimum Generation Warnings, and eight Minimum Generation Events in their footprint in 2009, which is 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 Staff will continue to monitor the MISO market for reliability issues that may impact the Michigan system.

## Minimum and Maximum Generation Activities

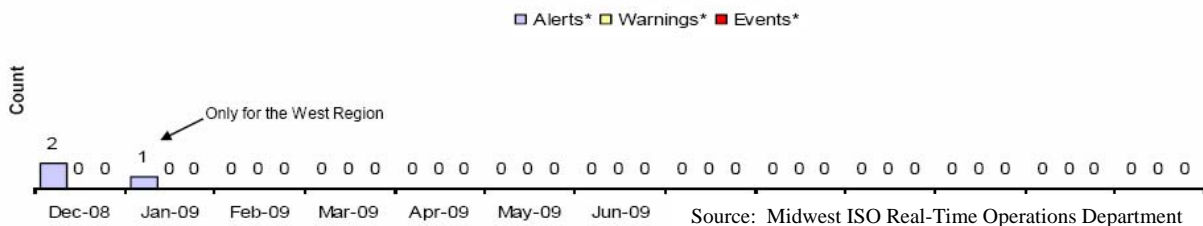
### Minimum Generation Actions

Supply surplus situations during light load periods when on-line resources need to operate at Emergency Minimum levels or be decommitted as to not over burden the interconnected system.



### Maximum Generation Actions

System-wide or transmission contingency related capacity shortages that may jeopardize the reliable operation of all or part of the MISO system.



\* Alerts – forecasting specific emergency situations in a future time-frame  
 \* Warnings – experiencing initial stages of an emergency situation and taking action  
 \* Events – experiencing an emergency situation and taking action

The Commission Staff also continued to monitor distribution circuit reliability in 2009. Overall, the number of complaints that the Commission received from Michigan customers regarding frequent and repetitive outages was down slightly for 2009, as compared to the same time period in 2008. 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 Staff 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.

In 2009, Detroit Edison had three significant events, outages affecting more than 100,000 customers, which resulted in outages this year. Consumers Energy had six storms with over 50,000 customer outages, two of these storms had over 100,000 outages. In March 2009, the Commission, in Case No. U-15605, supported the Commission Staff's findings and recommendations made following an investigation into the response of Detroit Edison and Consumers Energy to storm damages in their service territories after a series of severe thunderstorms crossed Michigan's Lower Peninsula in June 2008. The Commission directed Detroit Edison and Consumers Energy to make improvements in their responses to severe weather events.

In 2009, the Commission submitted a report on [Status of Power Quality](#) in Michigan, which was required to be submitted to the Legislature in accordance with Section 10p of 2008 PA 286, MCL 460.10p (Act 286). The report provides the Commission's findings regarding

electric power quality, service reliability and power plant generating cost efficiency and the consequent impact on end-use customers.

In 2009, the Electric Operations Section also prepared an investigation report on Detroit Edison's and Consumers Energy's utility pole inspection program. The purpose of the companies' pole inspection program is to ensure the safety and reliability of the electric service infrastructure to the general public and the end use customers. The Staff reviewed each company's pole inspection program and made several recommendations that will be implemented in 2010.

### **Electric Transmission Lines**

The Commission has jurisdiction over the siting of electric transmission lines under 1995 PA 30 for a transmission line of five miles or more in length with voltage of 345 kilovolts or more, and may grant certificates for such new transmission lines and substations. The Commission received no new electric transmission applications this past year due in part to the recession and in part because ITC is planning for the integration of renewable energy into their system. ITC's Genoa to Prizm line, mostly in Hartland Township, approved by the Commission in 2007, was put into operation in stages during 2007, 2008, and 2009. ITC spent approximately \$200 million to upgrade and make capital improvements to their system in 2009. The Commission intervened in ITC's Green Power Express LP project before the Federal Energy Regulatory Commission (FERC). This project is a multi-state extra high voltage electric transmission line designed to bring wind energy to the populated areas in the Midwest and East coast areas.



## **Gas Operations Section**

The Gas Operations Section acts as the liaison to the Federal pipeline safety officials, enforces gas safety standards, performs other gas and petroleum safety inspections, acts as liaison to the National Association of Pipeline Safety Representatives, and reviews certificate of Public Convenience and Necessity requests for franchises (Act 69 of 1929), gas pipelines (Act 9 of 1929), oil pipelines (Act 16 of 1929), and gas storage fields (Act 26 of 1973). The Gas Operations Section also issues standard well connection permits and tracks monthly natural gas production volumes. In Case No. U-15545 on April 16, 2009, the Commission issued an order formally adopting administrative rules revising rules governing gas pipeline safety and incorporating existing federal standards into the Michigan rules.

Gas Safety engineers inspected all jurisdictional pipeline operators on schedule, thus meeting the requirements of Public Act 165 of 1969 and the USDOT requirements. The Commission investigated all jurisdictional incidents that met the USDOT threshold for investigation. The safety program maintained its federal certification following receipt of a favorable review from the USDOT. Through the end of 2009, the gas safety engineers issued 10 notices of non-compliance, responded to 56 telephonic incident reports, and conducted an estimated 425 inspections.

### **Pipelines and Storage Fields**

The Commission issued four orders approving the construction of natural gas pipelines. Generally, the gas pipelines are used to deliver natural gas from Michigan gas wells to markets both within and outside of the state. These orders followed Commission determinations that the proposed natural gas pipelines were practicable, met the requirements of the Michigan Gas Safety Standards, and served the public convenience and necessity. In addition, Michigan

storage operators continued work started in 2007 to increase capacity and deliverability of Michigan underground natural gas 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.

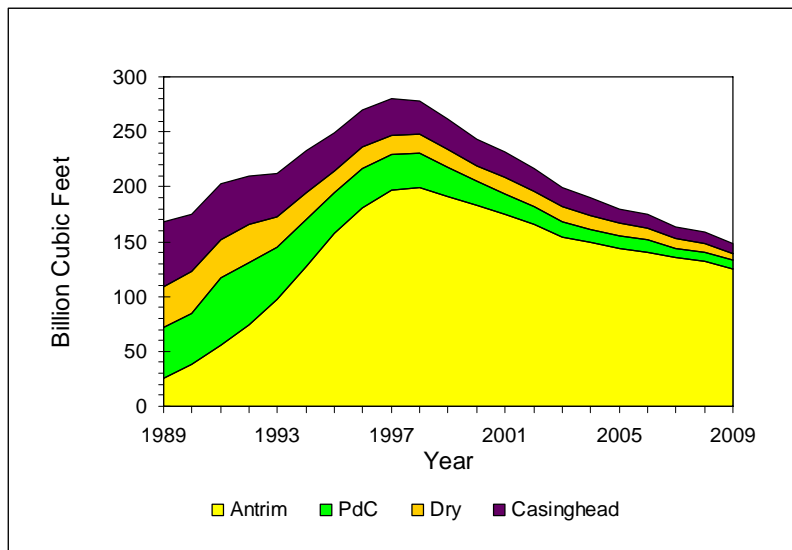
### **Natural Gas Production and Permitting**

In 2009, the Commission issued 161 gas well connection permits (180 less than in 2008), with the majority of those permits (156) issued to wells in the Antrim shale formation. The Antrim shale formation is a shallow gas producing reservoir that produces across the northern part of the Lower Peninsula of Michigan. Other predominant natural gas producing formations in Michigan are the Prairie du Chien (PdC), a deep sandstone reservoir in the central part of the Lower Peninsula, and the Niagaran reef formations which occur in two trends of reefs in the Lower Peninsula. Dry gas refers to natural gas produced primarily from the Niagaran reef formation. Casinghead gas production refers to the gas production that is associated with oil wells. There is no gas or oil production in the Upper Peninsula. The total gas production in 2009 is estimated to be 149 Bcf compared to 158 Bcf for 2008. Antrim gas wells provide approximately 85 percent of the total. Natural gas production in Michigan continues to decline at a rate of about five percent per year, as the existing reservoirs naturally deplete. Most drilling and gas well permits issued for 2009 were for in-fill wells, or wells drilled into existing reservoirs, rather than discovery wells. Oil and gas exploration and drilling in Michigan saw a decrease in activity in 2009 due to a decline in energy prices.

### **Gas Vacuum Applications**

Currently the Gas Operations Section is working with several Michigan producers (in dockets U-16074, U-16075 and U-16076) to examine the possibilities of operating Antrim wells

under a vacuum. While operating wells under a vacuum is allowed, the Commission's approval is required to do so. Operating a well under a vacuum means that the operator will use a compressor or pump to reduce the pressure of the well to a point that is below the atmospheric pressure. This vacuum pressure is believed to increase production rates and potentially allow for a larger volume of gas to be ultimately recovered from the well. Concerns of allowing wells to be produced under a vacuum include potential damage to the reservoir from water coning, oxygen getting into pipeline systems causing corrosion and safety issues, correlative rights of adjoining landowners or producers, and whether or not there is an economic advantage. As no prior approval for operating under a vacuum has been granted by the commission, Staff will fully examine the risks and benefits in order to set a precedent for any and all future cases.



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

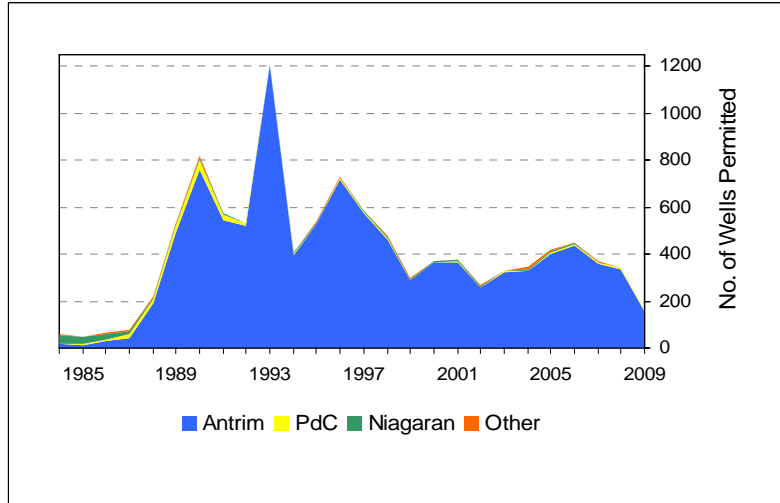


Figure 2: Permits Issued by Michigan's Gas Producing Formations

## Energy Markets Section

The Energy Markets Section is responsible for and actively participates in national and regional electric and natural gas supply and interstate transportation issues, such as the transmission rates and terms of service determined by tariff modifications and compliance filings before the Department of Energy (USDOE), FERC, and other federal agency or court proceedings. The Section also actively participates and provides staff leadership in work groups involving the MISO and PJM Interconnection (PJM) and the parallel regional state committees on national and regional electricity issues.

### Federal and Regional Issues

The price and reliability of Michigan's electric and natural gas supply are significantly affected by federal and regional decisions. In Michigan, nearly all electric transmission lines and interstate gas pipelines are regulated by FERC, which determines rates, conditions of service, reliability of supply, and, in the case of interstate gas pipelines, siting. Approximately 80 percent of Michigan's natural gas supply arrives from outside of Michigan via FERC-regulated interstate pipelines. After the FERC establishment of independent RTOs, the RTOs now manage the

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

In addition to its own orders, the Commission speaks through its comments, interventions, and positions in FERC and related judicial and agency proceedings. It also coordinates regulatory oversight and formulates policy in the working group and board of director processes of the MISO, the Organization of 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. The Energy Markets Section provides administrative support and technical expertise to assist the Commission on these matters.

The Energy Markets Section also assists the Commissioners in their ongoing roles as members and officers of regional state committees. In 2009, Commissioner Monica Martinez was a member of the OMS Board of Directors. In 2010, she will serve as the vice president of OMS. In this role, she will have lead state responsibility on the MISO Advisory Committee, be responsible for OMS strategic planning, and represent OMS interests to Congress and federal agencies. In 2009, former Commissioner Steven A. Transeth was a member of the OPSI Board of Directors and the OPSI Advisory Committee that oversees the relationship between PJM and its market monitor. In 2010, it is anticipated that Commissioner Greg R. White will replace former Commissioner Transeth as a member of the OPSI Board of Directors.

In 2009, the Energy Markets Section assisted the Commission's active participation in 15 FERC dockets, on its own initiative or in conjunction with OMS or OPSI. The Commission, on its own initiative, participated in FERC electric proceedings for a proposed new electric transmission system, Green Power Express, in states west of Michigan, (ER09-681-000), FERC smart grid policy (PL09-4-000), a MISO application to revise the method for allocating the cost of transmission system upgrades for generation interconnection projects (ER09-1431-000), an application by FirstEnergy Service Company to terminate the FirstEnergy companies membership in MISO and instead join PJM (ER09-1589-000), and an application for a rate increase and continued collection of power supply development costs of Wolverine Power Supply Cooperative, Inc. (Wolverine) (ER10-69-000).

The Commission became a party to natural gas pipeline rate cases established by FERC at the end of 2009 for Northern Natural Gas Company (RP10-148) and Great Lakes Gas Transmission LLP (RP10-149). These two cases were established to reduce the rates of each pipeline after litigation during 2010.

Through participation in OMS, the Commission has worked in FERC electric proceedings on FERC's proposed policy for integrating renewable resources into the power grid (AD09-4), MISO's revenue sufficiency guarantee process (ER04-691), compliance with the RTO responsiveness requirements of FERC's Order 719 (ER09-1049), MISO tariff Schedule 34 and North American Electric Reliability Corporation penalty costs (ER09-1435), MISO's transmission cost allocation (ER09-1431), FirstEnergy companies' proposal to move from MISO to PJM (ER09-1589), MISO tariff provisions to allow aggregators of retail customer demand response to participate in MISO's wholesale markets (ER09-1049), and FERC policy on regional transmission planning (AD09-8). The Commission also participated in recommending changes

to MISO's Order 719 market monitoring Issues in MISO meetings, successfully changing MISO's proposal before it filed it with the FERC.

Through participation in OPSI, the Commission has worked in electric proceedings on protests against PJM's proposed changes in market monitoring procedures (ER09-1063) and FirstEnergy companies' proposal to move from MISO to PJM (ER09-1589). The Commission also worked on letters from the OPSI Board of Directors to the PJM Board of directors regarding compliance with FERC Order 719 and the planning of PJM's upcoming Long Term Issues Symposium, and participated in OPSI's Advisory Committee, a committee formed to provide advice to FERC, the PJM Board and the market monitor regarding monitoring PJM's markets.

Other priorities included helping to develop and participate in implementing joint open regional and extra-regional electric transmission planning and cost allocation methodologies for transmission facilities to prevent undue discrimination and preference, and to facilitate the planning, demonstration of need, and eventual construction of electric transmission lines needed to implement Michigan's new renewable portfolio standards for jurisdictional electric utilities. For example, the Commission is participating in the Eastern Interconnection Planning Collaborative, which is coordinating transmission planning activities in the eastern half of the U.S. using federal funds provided by the USDOE under the American Recovery and Reinvestment Act of 2009 (ARRA). The Energy Markets Section also continued to assist the Commission with its work to assure ongoing state regulatory access to market and planning information.

## 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 rates for Michigan's citizens and businesses. RED is responsible for 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 the administration of 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. The RED Staff was involved in over 250 electric, natural gas, and steam related cases in which the Commission issued orders during 2009.

### Rate Cases

The Commission issued five rate orders that approved rate changes for MGU, Alpena Power, Consumers Energy and UPPECo. The table below provides a summary of the rate orders.

Utility Name	Case Number	Order Date	Requested Increase	Approved Increase	Average Residential Monthly Bill Increase
MGU	U-15549	Jan 13, 2009	\$13.9 million	\$6 million	\$2.00
Alpena Power	U-15935	Oct 13, 2009	\$2.1 million	\$650,000	\$3.15
Consumers Energy (e)	U-15645	Nov 2, 2009	\$215 million	\$139 million	\$1.30
MGU	U-15990	Dec 16, 2009	\$8.4 million	\$3.5 million	\$1.66
UPPECo	U-15988	Dec 16, 2009	\$12.2 million	\$6.5 million	\$7.33



In addition to the rate cases outlined above, the Commission authorized un-collectibles expense tracker mechanisms, pilot revenue decoupling mechanisms and rate realignment plans in its various orders. Further, the Commission directed certain utilities to submit comments that addressed the economic feasibility, possible design and implementation of revenue decoupling.

### **Self-Implementation Events**

Public Act 286 of 2008 (Act 286) provides that a utility may implement a rate increase on or after the 181<sup>st</sup> day following the filing of a complete rate application. The Commission directed the following utilities to file tariffs with respect to proposed self-implementation rates.

- 1) Consumers Energy Company – Electric (U-15645)
- 2) Detroit Edison Company (U-15768)
- 3) Michigan Gas Utilities Corporation (U-15990)
- 4) Upper Peninsula Power Company (U-15988)
- 5) Consumers Energy Company – Gas (U-15986)
- 6) Wisconsin Electric Power Company (U-15981)
- 7) Michigan Consolidated Gas Company (U-15985)

### **TIER Cases**

The Commission opened nine proceedings that involved the times interest earned ratio (TIER) mechanism for rural electric cooperatives (Co-op) and concluded eight of them. The TIER mechanism determines the need to change rates and is used by all Michigan rural electric cooperatives under MPSC rate jurisdiction. As seen in the table below, two of the eight concluded TIER cases resulted in rate increases.

<b>Co-op Name</b>	<b>Case Number</b>	<b>Order Date</b>	<b>Approved Increase</b>	<b>Average Residential Monthly Bill Increase</b>
Homeworks Tri-County	U-15413-R	Oct 13, 2009	\$705,874	\$1.70
Presque Isle	U-15412-R	Sep 15, 2009	\$638,252	\$0.88

The Commission dismissed the Cherryland Electric Cooperative (Cherryland) (U-15410-R) and Alger Delta Cooperative Electric Association (Alger Delta) (U-15405-R)

applications because it found that both co-ops had met all the prerequisites for exercising member-regulation of their rates, charges, accounting standards, billing practices, and terms and conditions of service. Both Cherryland and Alger Delta became member-regulated during 2009.

In its order dated August 11, 2009 in Case No. U-15774, the Commission accepted jurisdiction over rates, charges, terms, and conditions for natural gas service in Presque Isle's Regulated Gas Division (Presque Isle). The Commission also established rates and the use of the TIER mechanism for subsequent rate changes for Presque Isle.

### **Power Supply Cost Recovery Program—Reconciliation Cases**

The Commission opened 18 electric Power Supply Cost Recovery (PSCR) reconciliation proceedings in 2009 and concluded 15 of them, as well as 10 others from 2008 in accordance with 1982 PA Act 304, MCL 460.6j *et seq.* (Act 304). The Commission also opened one Steam Supply Cost Recovery reconciliation in 2009 and concluded a similar case from 2008.

### **Gas Cost Recovery Program—Reconciliation Cases**

The Commission opened seven Gas Cost Recovery (GCR) reconciliation proceedings in 2009 and concluded one of them as well as six others from 2008 in accordance with 1982 PA Act 304, MCL 460.6h *et seq.* (Act 304).

### **Depreciation Cases**

The Commission opened eleven depreciation proceedings during 2009 and issued final orders in six of them. The Commission issued depreciation orders for Consumers Energy (gas), SEMCo, Wisconsin Public Service Corporation (2), UPPCo and Alpena Power.

### **Tariff Administration**

Utilizing its electronic tariff processing system implemented in 2004, the Commission efficiently processed 372 electric and 210 natural gas tariff sheet filings during 2009. Utility

tariffs are available in the utility rate books located on the Commission's Web site, each utility Web site and in hardcopy form at the MPSC office.

## **Act 304 Recovery Programs**

### **Gas Cost Recovery Program—Plan Cases**

The Commission conducted 10 natural gas plan cases, including eight GCR plans for the 2009-2010 plan year and two GCR plans for the 2008-2009 plan year in accordance with 1982 PA Act 304, MCL 460.h *et. seq.* (Act 304). In addition, seven GCR plans for the 2010-2011 year were filed in December 2009. 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—Plan Cases**

The Commission conducted 34 electric plan cases, including 18 power supply cost recovery (PSCR) plans for 2009 and 16 PSCR plans for 2010 related to 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.

### **Steam Cost Recovery Program—Plan Cases**

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 conducted one steam cost recovery plan case during 2009 for the period of April 1, 2010 to March 31, 2011.

## **Customer Choice Programs**

### **Electric Customer Choice**

The Commission responded to five complaints and inquiries on electric customer choice issues during 2009. The overall number of electric choice program customers and megawatts (MW) increased in 2009. A total of 5,424 commercial and industrial customers were enrolled in

Detroit Edison and Consumers Energy electric choice programs during the year. Statewide, Alternative Electric Suppliers (AESs) served a total of 1,558 MW.

The Commission rescinded three AES licenses that were issued to Accent Energy Midwest, Nordic Marketing of Michigan and Metro Energy. These licenses were rescinded at the request of each respective AES. The Commission also issued one new AES license to Glacial Energy of Michigan (now Glacial Energy of Illinois).

Act 286 requires limiting the amount of electricity that can be obtained from alternative electric suppliers to “no more than 10% of an electric utility’s average weather adjusted retail sales for the preceding calendar year.” In its order dated September 29, 2009 in Case No. U-15801, the Commission approved procedures dealing with the administration and allocation of electric load allowed to be served by alternative electric suppliers with respect to the 10 percent cap. The Commission also established a Cap Tracking System that allows interested parties to monitor the status of electric choice in each service territory with choice load.

### **Natural Gas Customer Choice**

The Commission responded to more than 1,000 complaints and inquiries with respect to natural gas customer choice in 2009. The number of customers participating in natural gas choice throughout the state increased to 389,740 in 2009, compared to 330,587 in 2008. Alternative Gas Suppliers (AGS) served roughly 70 Bcf of annualized natural gas sales in 2009, compared to 53 Bcf at the end of 2008. The year end 2009 customer count and gas choice volumes are both at all-time highs.

The Commission issued three new AGS licenses to Border Energy, Just Energy Michigan, and Santanna Energy Services during 2009. The Commission also rescinded one

AGS license that was issued to Cornerstone Energy, d/b/a Cornerstone Energy Marketing. The license was relinquished at the company's request.

In its order dated October 13, 2009 in Case No. U-15929, the Commission approved a settlement agreement that authorized MichCon, Consumers Energy, MGU and SEMCo to revise their gas choice tariffs according to the terms of the settlement agreement. The tariff revisions enhanced customer protections through (a) an increase in usage thresholds used to determine choice customer classifications, (b) a 30-day unconditional right to cancel the contract without termination fees for residential and small commercial customers and (c) a maximum early termination fees of \$50 and \$100 for residential customers and \$150 and \$250 for small commercial customers.

## **Service Quality Division**

### **Dr. Michel Hiser, Director**

The Service Quality Division (SQD) is responsible for assisting the Commission with the development, implementation, and enforcement of utility quality of service rules, orders, and policies. Division activities include: responding to inquires from the public and resolving utility and alternative supplier customer complaints, tracking complaint data, identifying trends, working with companies to institute changes to avoid customer problems, consumer information and outreach, and participating in the development and implementation of programs for low-income customers. The division is comprised of two sections: Customer Service & Support, which includes the Call Center, and Service Quality.

### **Complaint and Inquiry Calls**

The Division receives complaint and inquiry calls on the Commission's toll-free and general telephone lines, through the Commission's Web site, by mail, and from customers who walk into the Commission's main office. The Division also assists customers who have contacted the Governor's office, Legislative Staff, and Department Director's office with energy and telecommunication complaints and inquiries. Calls to the toll-free number represent the largest portion of contacts and are answered live by Call Center Staff. A customer record is created for each customer complaint and/or inquiry. These records allow Staff to track the history and progress of the customer record to completion and accumulate data used to analyze complaints by company and type. Call Center Staff responds directly to the customer's inquiries, forwards the customer complaints to a Regulation Officer for resolution, or forwards the call, when appropriate, to the utility's Executive Customer Assistance Center.

During 2009, 29,473 calls were handled by the Call Center, a 24 percent decrease over 2008 (36,572). These calls included those from new customers as well as from repeat customers. Call answer time (reaching a staff contact person) averaged 25 seconds, a decrease over the year 2008 which was 54 seconds. The decrease in answer time was due in part to Staff members receiving additional training on various topics allowing information to be conveyed directly to the customer. It is also due to the type of calls that come through the Call Center; they receive a number of unregulated calls (non-electric, natural gas and telecommunications). SQD Staff continues to incorporate new strategies to improve the call answer response time.

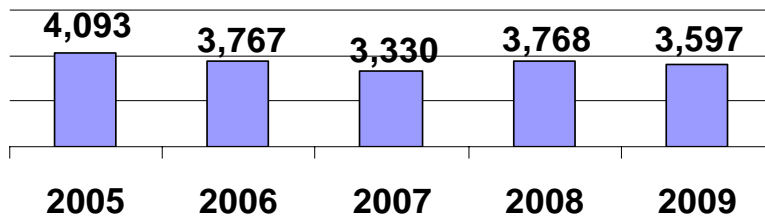
Of the 29,473 calls, plus other contacts received via e-mail, the MPSC Web site, and referrals from other government offices, SQD received a total of 12,504 new complaints and inquiries. This represents a 33 percent decrease over the total number of inquiries and complaints received in 2008 (18,599). Staff believes a significant portion of the reduction in new complaints is due to its continuing effort to identify potential problems and work with the utilities to rectify the underlying cause of the problem before it results in a complaint. An example of this effort is an ongoing effort to reduce estimated energy bills. Staff has noticed a significant reduction in Detroit Edison estimated bill complaints as a result of these efforts and is currently working with Consumers Energy to improve their “read-rate.” Estimated bills generate a variety of billing problems requiring time on behalf of the customer, company, and Staff to resolve.

### **Energy**

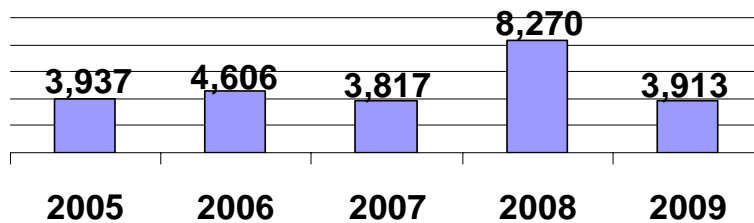
SQD’s Energy Regulation Officers handled 9,464 complaints and inquiries. This represents a decrease of 33 percent from the 14,091 received last year. DTE Energy complaints and inquiries decreased nine percent in 2009, from 4,446 in 2008 to 4,035 this year. The number

of Consumers Energy complaints and inquiries increased from 3,441 to 3,605 (five percent increase) since 2008. Overall miscellaneous billing was the most common issue (1,441 contacts), with Consumers Energy contributing over half of these total complaints and inquiries (52 percent). Other frequent customer concerns for all companies include: bill responsibility, cancellation of alternative supplier service contracts, delays in new service, shutoffs, and high billing costs.

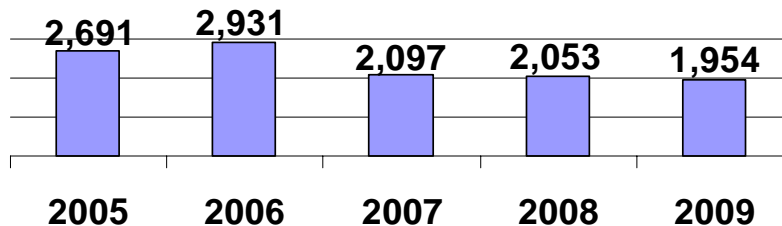
### Electric Complaints & Inquiries



### Gas Complaints & Inquiries



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





Since last year, contacts regarding alternative gas suppliers relating to slamming, contract cancellation and deceptive marketing have declined 82 percent, while utility repair and maintenance concerns have decreased 32 percent and frequent outages have decreased by 22 percent. Since 2007, complaints and inquiries about delinquent accounts have decreased 29 percent.

In 2007 and 2008, Staff received a large number of complaints from customers of Universal Gas and Electric (Universal), an alternative gas supplier. After Staff attempts to resolve the problems informally were unsuccessful, the Commission initiated a formal proceeding to consider removal of Universal's license in May 2008. In April 2009, Staff reached a settlement with Universal which was approved by the Commission. This settlement resulted in correction of deceptive marketing practices and tariff violations and provided financial remediation to many customers who experienced problems with Universal. Universal was subsequently purchased this year by Just Energy. Staff is working with Just Energy to assure that it complies with the terms of the settlement and all applicable tariffs. Based in part on lessons learned during the Universal proceeding, SQD provided input during a Commission proceeding to revise the Gas Customer Choice tariffs which were approved by the Commission in October 2009.

Another issue that is beginning to become a concern involves the time it takes to get utility service established. Staff is currently working with companies to correct service delay issues.

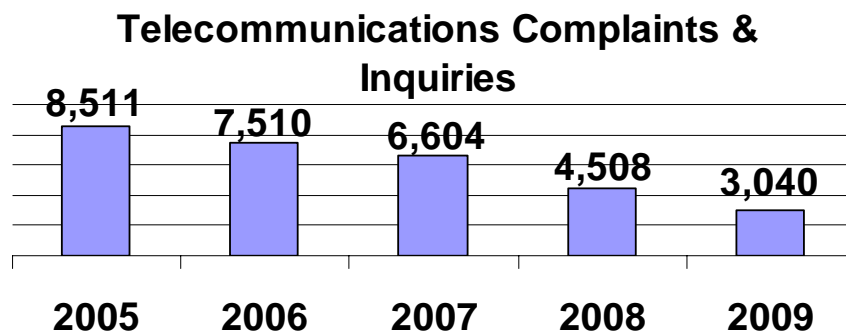
### **Telecommunications**

SQD handled 3,040 telecommunications complaints, a significant decline (64 percent) since 2005 (8,511). Staff believes that a portion of this reduction is due to customers migrating

from landline telephones to wireless and Voice Over Internet Protocol (VOIP) service, services that generally fall outside the Commission’s jurisdiction. Additionally, Staff also has worked proactively with the companies to identify problems and find solutions for those problems before they escalate into complaints.

Staff handled approximately the same number of slamming (the unauthorized switching of telecommunication services) and cramming (unauthorized charges on the telephone bill) complaints in 2009 as in 2008. However, since the total number of complaints was lower in 2009, slamming and cramming currently represent a larger portion of the total number of complaints. Staff is working with telecommunication companies to determine what can be done under Federal regulations to reduce the instances of slamming and cramming.

In addition to slamming and cramming complaints, Staff also has handled complaints involving billing and credit issues, general service concerns, billing errors, and repair problems.



### Formal Complaints

When customers remain dissatisfied with informal attempts to resolve their complaints, they have the option to request a formal hearing before an Administrative Law Judge. If the formal complaint is found to be *prima facie*, an evidentiary hearing is held, the Judge issues a Proposal for Decision, and the Commission issues a final order. This past year, SQD handled

approximately 61 formal complaint cases, 50 of which were closed, with most of them resolved through settlement agreements. Eleven of the 61 formal complaints are still pending.

### **Small Business Focus**

Small businesses filed 1,651 contacts in calendar year 2009 that were processed by staff. Staff's handling of these complaints and inquiries resulted in substantial savings to Michigan's small businesses. In addition, Staff efforts to work out payment and deposit arrangements with the customers' utility suppliers helped keep some financially distressed businesses in operation. The most common complaints from business customers regarding telecommunications issues involved cramming, billing errors, and slamming. Natural gas and electric complaints most frequently involved billing errors, alternative natural gas contracts, delays in new service and security deposits.

### **Customer Information and Education**

The SQD continued its public education outreach by distributing four new consumer alerts: *Utility Help for Military Families*; *The Gas Cost Recovery (GCR) Charge*; *Filing a Video/Cable Television Complaint*; and *Electric Outage Service Credits*. Ten other alerts were updated. All MPSC Consumer Alerts are available on the Commission's Web site.

Approximately 2,560 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 were distributed at Consumer Forums and speaker bureau presentations. In total, over 37,000 publications were distributed during 2009. SQD has a number of consumer alerts published in languages other than English, including Spanish and Arabic.

### **Consumer Forums**

For the 22nd 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 with Commissioners and Commission Staff in attendance. In 2009, forums were held in Marquette, Detroit, East Tawas, Adrian, Livonia, Port Huron, and Muskegon. Over 230 consumers and community organization representatives attended the seven forums. Commission staff and utility representatives were available to distribute information materials and provide direct assistance to customers with utility related problems at all of the forums.

### **Outreach/Low Income Initiatives**

SQD participated in a number of community outreach initiatives and a low-income task force to educate customers about the availability of low-income energy and weatherization assistance and low-cost/no cost energy efficiency options.

### **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, geographic and industry data, the Commission Staff generates weekly, as well as periodic reports on types of complaints and inquiries received and the number of complaints from customers of each regulated utility. These reports are primarily used to identify problems and trends that are helpful in working with the utility companies to address areas of concern and internally by Staff to identify new areas for customer information and outreach.

## Looking Ahead

Staff is anticipating the overall utility complaint volume will continue to decrease. This will provide Staff with more opportunity to work proactively with the companies to improve customer service and avoid future problems. Also, a decline in the number of overall complaints will permit more thorough and timely resolution of the remaining complaints.

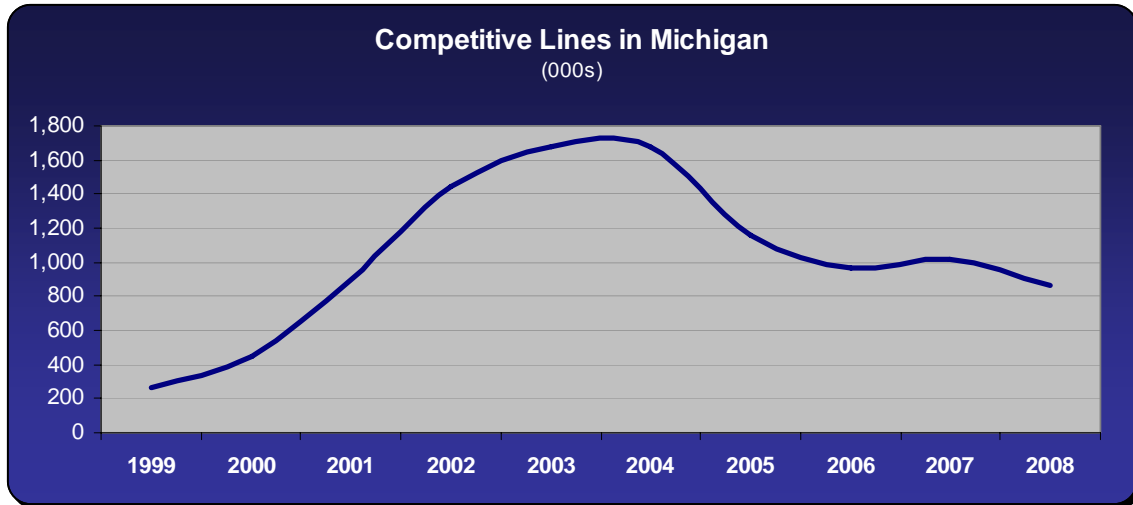
## **Telecommunications Division**

### **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 1991 (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 31 telephone companies in 2009. During 2009, four competitive local exchange carriers (CLECs) filed applications to amend their licenses to provide basic local exchange service by expanding their geographic areas in the state. At the end of the year, 190 CLECs were licensed to provide telecommunications services in Michigan. According to the results of an annual survey conducted by the Staff in early 2009, CLECs were serving 20 percent, or about 859,000, of the lines provided to customers in Michigan.



Based on 2008 data, competition in the wireline telecommunications market in Michigan decreased, which follows a slight increase in the level of wireline competition in 2007 and a decrease in 2006. The number of lines served by CLECs via local wholesale arrangements was 152,690 lines or 17.8 percent of all CLEC line activity. Resale accounted for 62,030 lines, while lines served over unbundled network facilities were 301,410, and lines served via CLEC-owned facilities were 278, 847. As of December 2009, there were approximately 208 Commission-approved interconnection agreements in effect between AT&T Michigan and its competitors and 123 Commission-approved interconnection agreements between Verizon and its competitors.

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

In an Order dated June 2, 2009, the Commission granted ACD Telecom of the North, LLC's, application to provide basic local exchange service in the eight remaining unserved areas of the Upper Peninsula, which will allow the company to begin the planning and other processes required to offer service in these areas. With the issuance of this Order, the Commission has now granted licenses to provide local service in all unserved territories in the state.

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

The Commission requires that all telecommunications companies doing business within Michigan register with the Commission. Section 211a of the MTA requires providers of telecommunications services using new or emerging technology, such as Voice over Internet Protocol, to register with the Commission. Currently, over 483 carriers are registered.

### **License Revocations and Surrenders**

The Commission, under its own motion in Case No. U-16072, commenced a proceeding to revoke the licenses to provide basic local exchange service of 30 CLECs for failure to comply with various requirements under the MTA. There were no interventions and an order revoking the licenses was issued on December 1, 2009. There were also four voluntary license surrenders in 2009.

### **Cost Proceedings and Primary Basic Local Exchange Service Rates**

The cost case initiated by the Commission in February 2007 for Verizon North and Verizon North Systems, Case No. U-15210, was under review by the Commission in 2008 and 2009. Verizon's compliance filing was approved in August 2009 and the Commission is currently working with Verizon and other telecommunications carriers to update the appropriate tariffs and interconnection agreements.

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. Case No. U-15734 was



approved for the expanded local calling area and related rate increase by the Commission on February 3, 2009.

### **Provider to Provider Interconnection Issues**

On November 12, 2008, a filing was made for arbitration of an interconnection agreement between Comcast Phone of Michigan, LLC, and TDS Telecom Communications Corp. of MI (CCM) in Case Nos. U-15725 and U-15730. On April 16, 2009, the Commission approved the arbitrated interconnection agreement between the two parties.

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. During the process of arbitration, the parties were able to negotiate an agreement to settle their issues. On April 16, 2009, the Commission issued an order in Case No. U-15938 approving the parties' negotiated interconnection agreement.

On January 16, 2009, TC3 Telecom Inc., ACD Telecom, Inc., Arialink Telecom, LLC., Clear Rate Communications, Inc., DayStarr LLC., Michigan Access, Inc. and TelNet Worldwide, Inc. filed for arbitration of interconnection rates, terms, conditions, and related arrangements with Verizon North Incorporated and Contel of the South, Inc. d/b/a Verizon North Systems, in Case No. U-15773. On June 2, 2009, the Commission issued an order in this case adopting the Decision of the Arbitration Panel and ordering the parties to file conforming interconnection agreements within 30 days.

On February 2, 2009, Sprint Communications Company L.P., Sprint Spectrum L.P., and Nextel West Corp. filed for arbitration of an interconnection agreement with Michigan Bell Telephone Company, d/b/a AT&T Michigan, in Case No. U-15788. On June 2, 2009, the

Commission adopted the Decision of the Arbitration Panel and ordered the parties to file a conforming interconnection agreement.

On September 4, 2009, Lucre, Inc. filed a complaint against Verizon North, Inc., and Contel of the South, Inc., d/b/a Verizon North Systems in Case No. U-16082. This case is pending before the Commission.

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

During 2009, the Commission approved three existing 2-1-1 call centers to serve additional counties. These centers include: Community Access of the Lakeshore, Inc. to serve Manistee County, HandsOn Battle Creek to serve Branch County, and Gryphon Place to serve Allegan, Berrien, Cass, and Van Buren County. In addition, one new call center, United Way 211: Midland Call Center, was approved to serve Clare, Gladwin, Gratiot, Isabella, and Midland counties. Currently, the entire Upper Peninsula and 36 Lower Peninsula counties are served by 2-1-1 call centers.

On March 8, 2009, 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, 2010. The Commission also granted Michigan 2-1-1, Inc. the right to two one-year renewal periods subject to approval by the Commission.

#### **Abbreviated Dialing Number 7-1-1 (Telecommunications Deaf Relay Service)**

Per the Governor's Executive Order No. 2009-50, the Michigan Relay Center Advisory Board was abolished on December 28, 2009. The Michigan Public Service Commission will continue to perform functions per Section 315 of the Michigan Telecommunications Act in the area of services for the hearing impaired.

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

On April 16, 2009, the Commission approved the continuation of 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, and will continue until such time that the Legislature directs otherwise.

Under PA 164 and 165 of 2007, the Commission is also required to promulgate rules governing areas of 9-1-1 administration including the requirements for multiline telephone systems (MLTS) and training standards for Public Safety Answering Point (PSAP) personnel. In May of 2009, at the request of the State 9-1-1 Committee, Commission staff initiated an informal process to work on the requirements for MLTS and, in July, started work on the standards for the training of PSAP personnel.

### **Universal Service Fund Requirements**

In 2009, the Commission approved six new carrier applications to become eligible telecommunications carriers (ETC). In total, the Commission approved the continued ETC designation for 53 wire line and wireless carriers to be eligible for federal Universal Service fund support in 2010 pursuant to the process set forth by the federal government and adopted by the Commission.

### **Access Charge Legislation**

Governor Granholm signed House Bill No. 4257 on December 17, 2009, now Public Act 182 of 2009 (PA 182). PA 182 affects the rates charged for intrastate toll access between providers. PA 182 creates a restructuring mechanism in order to assist eligible providers in the transition to reducing intrastate switched toll access service rates to the interstate levels. The

Commission is in the process of establishing the procedures and timelines for organizing, funding, and administering the restructuring mechanism.

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

The Metropolitan Extension Telecommunications Rights-of-Way Oversight (METRO) Act, 2002 PA 48, MCL 484.3102, *et seq.*, (PA 48), is designed to stimulate the availability of affordable high-speed Internet access by simplifying the permit process and standardizing fees for local rights-of-way access. The Commission approved METRO Tax Credits for 66 providers in 2009 and submitted this information to the Department of Treasury for the processing of providers' tax filings.

In compliance with PA 48, the Commission issued its Annual Permit Activity report for 2009, and has issued these reports since 2003. This information is posted on the Commission's Web site. The Commission processed 88 notices of permit applications from municipalities in 2009; 86 were approved, and two were denied. Most of the permits were for unilateral permits.

### **Broadband**

The American Recovery and Reinvestment Act of 2009 (ARRA) allocated funding for two federal programs for broadband deployment. The National Telecommunications and Information Administration (NTIA) received \$4.7 billion to establish a Broadband Technology Opportunities Program (BTOP) for awards to eligible entities to develop and expand broadband services to rural and underserved areas and improve access to broadband by public safety agencies. The Rural Utilities Services received \$2.5 billion to provide broadband in unserved and underserved communities via the Broadband Initiatives Program (BIP) which offers grants, direct loans and loan grant combinations. The Commission, along with other state departments,

has been involved in the analysis, planning and review of the federal broadband applications that pertain to Michigan.

The Commission received a \$1.8 million grant from the NTIA on December 22, 2009, provided by the ARRA, to launch a comprehensive broadband mapping initiative, [Connect Michigan](#), which will help enable the state to collect data and develop a detailed map of existing broadband availability. Connect Michigan is a partnership between the Commission and Connected Nation, a national leader in broadband mapping. The state will use the information gathered during the two-year mapping and five-year planning period to plan broadband expansion efforts and spur private investment in unserved and underserved areas. As an initial step in the project, the Commission has organized meetings with providers. Information about the project is also available on the Commission's Web site at [www.michigan.gov/broadbandmapping](http://www.michigan.gov/broadbandmapping).

### **[Protect MI Child Registry](#)**

The Protect MI Child Registry, formulated pursuant to PA 241 of 2004, marked its fourth-year anniversary of operation on July 1, 2009. 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, 2009, over 128,661 contact points are being protected by the Registry. These contact points include both individual contact points, as well as addresses associated with over 232 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 of 2007 (PA 480). 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 SB 190, which was passed and signed into law by the Governor on April 2, 2009 as Public Act 4 of 2009 (PA 4). PA 4 provides for the dispute resolution process for issues between providers, franchise entities, and customers.

The Commission Staff began taking customer cable complaints on February 1, 2007. Staff continues to receive a large volume of customer cable complaints, with 1,022 complaints filed between January 1, 2009 and December 31, 2009.

In addition to the enactment of the dispute resolution process in 2009, the Legislature also passed an extension to the Commission's cable assessment provision. Pursuant to Public Act 191 of 2009, the sunset date for the cable assessment provision has been extended to December 31, 2015.

The Commission separately submits a much more in-depth annual report to the Legislature and Governor on February 1 of each year regarding the status of competition for video services in Michigan pursuant to PA 480.

## **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 MPSC. 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 2009, SOAHR conducted 258 days of hearings and issued Proposals for Decision in 20 cases. In addition, 168 settled or undisputed cases were processed and transmitted to the Commission for its consideration. Administrative Law Judges also mediated three interconnection disputes between competing telephone service providers and chaired four 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.

In October 2008, the “Clean, Renewable, and Efficient Energy Act”, 2008 PA 295, MCL 460.1001 *et seq.*, became effective. Among its many requirements, all retail rate-regulated electric providers, retail rate-regulated gas providers, and retail rate-regulated rural electric

cooperatives were required to file renewable energy plans and energy optimization plans. These filings were to be reviewed in contested case proceedings within a 90-day time frame. The Division conducted and brought to conclusion 24 highly compressed evidentiary proceedings in a timely manner.

The first rate case proceedings were conducted pursuant to the requirements of Act 286, which provides, among other things, that rate cases must be completed within 12 months of the filing of the application or the application is considered approved. As a result, the contested case process and all parties' resources were significantly challenged in bringing these cases to a timely conclusion.

On November 14, 2008, Consumers Energy filed an application in Case No. U-15645 to increase its rates for the generation and distribution of electricity by \$215 million. This request was subsequently reduced to \$195.8 million. Hearings took place during June 2009. Twenty-four parties participated in the case and approximately 32 witnesses were presented for cross-examination. A Proposal for Decision was issued on September 2, 2009, recommending final rate relief of approximately \$97 million. On November 2, 2009, the Commission issued its final order authorizing Consumers Energy to increase electric rates by \$139.4 million annually.

On January 26, 2009, Detroit Edison filed an application in Case No. U-15768 to increase its rates for the generation and distribution of electricity by \$387 million. Hearings took place during August 2009. Fourteen parties participated in the case and approximately 40 witnesses were presented for cross-examination. A Proposal for Decision was issued on November 10, 2009, recommending final rate relief of approximately \$255.3 million. On January 11, 2010, the Commission issued its final order authorizing Detroit Edison to increase electric rates by \$217.4 million annually.



## **Media and Public Information**

The Commission issued 187 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, such as the approval of renewable energy and energy optimization plans; the completion of several electric and natural gas rate cases; improvements to shutoff protection programs; the launch of Michigan's renewable energy certification system; the submission of two reports dealing with proposed new coal-fired plants; and the designation of several 2-1-1 answering points.

The Commission provided information and assistance to over 500 media contacts.

## IT & Web Activity

In 2009, the Commission's Web site received a stylish new look. The update features a new color palette and more importantly, a consistent and clean page design throughout the entire site. As the Commission continues to clean up and reorganize content to enhance its Web site's usability, the Commission is also preparing for the migration to a new web content management system scheduled to be completed in early to mid 2010.

In August 2009, the Commission introduced live audio streams of commission meetings. To date, connections to the live streams have been steadily in the 40 to 60 range, while participation tends to exceed 100 streams for meetings of increased interest and those scheduled with short notice. The podcasts of meetings are still available on-demand and are posted shortly after the conclusion of each meeting.

Behind the scenes, the Commission has made major improvements to the E-Docket system by installing new and more powerful servers. This has resulted in greater reliability, improved security, faster response times, and an increase in storage, allowing the Commission to better handle the growing number of E-Dockets. These servers will also be used to house a new case status application that will provide detailed information on all cases heard by the Commission.

At the end of 2009, a new Wi-Fi service for both the public and the staff was announced. The new service expands coverage to the far reaches of the building, including all hearing rooms in the basement, and provides greater reliability and speed to users.

Finally, the Commission has been able to complete the customization and installation of a new gas safety system for the Gas Operations Section. Initially acquired from the Minnesota

Office of Pipeline Safety, the system was customized with the help of the original contractor and resulted in considerable financial savings for the Commission.