



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
PUBLIC SERVICE COMMISSION

STEVEN H. HILFINGER
DIRECTOR

ORJIAKOR N. ISIOGU JOHN D. QUACKENBUSH GREG R. WHITE
COMMISSIONER CHAIRMAN COMMISSIONER

March 5, 2012

Honorable Rick Snyder
Governor of Michigan

Honorable Members of the Michigan Senate

Honorable Members of the Michigan House of Representatives

The enclosed *2011 Annual Report* is submitted on behalf of the Michigan Public Service Commission (Commission) in accordance with Section 5a of 1989 PA 33; MCL 460.5a. The report is also available on the Commission's website.

This year was a challenging year at the Commission and included several major changes. In July, the Michigan Court of Appeals ruled that the Commission did not have the statutory authority to administer the Low-Income and Energy Efficiency Fund. Also in July, flooding in the basement of the Commission offices required Commission Staff to quickly relocate, innovate ways to collaborate on projects while in different locations, and adapt to changing work circumstances while continuing to focus on the tasks at hand. In September, one Commissioner left the Commission and a new Chairman was appointed. Through these changes, the Commission continued its efforts to provide information, complaint assistance, and support to those most needing it. As always, the Commission continues to commit itself to balancing the needs of consumers and utility providers.

Throughout 2011, the Commission maintained its commitment to address the needs of Michigan's low-income and senior citizens, initially awarding \$62 million for low-income energy assistance and \$5 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 \$5 million from the Low-Income and Energy Efficiency Fund for Michigan Energy Efficiency grants. Due to the Michigan Court of Appeals decision, these grants had to be rescinded. When the Vulnerable Household Warmth Fund was created in December to replace the Low-Income and Energy Efficiency Fund, the Commission quickly responded and awarded grants totaling \$23 million on a pro-rated basis to prior grantees.

The Commission continued its consumer outreach efforts by hosting seven statewide consumer forums, making its Commission meetings available via podcast, handling 19,239 calls on its toll-free line, and assisting consumers and businesses with more than 7,097 electric and natural gas complaints and inquiries, 2,124 telecommunications complaints and inquiries, and 757 video/cable complaints and inquiries. Also, the Commission's program to assist small businesses with regulated utility complaints processed 1,036 of these types of complaints.

The Commission issued 700 orders, consisting of 182 telecommunications, 440 electric, 70 natural gas, and 8 motor carrier orders. The Commission also issued 350 applications or modifications for authority under the Motor Carrier Act.

Among the orders issued by the Commission during 2011 were approvals of the construction of seven new natural gas pipelines. Commission gas safety engineers issued 10 notices of non-compliance, responded to over 150 incident reports, and conducted approximately 465 inspections.

The Commission also revised the retail natural gas rates of Consumers Energy Company and SEMCO Energy Gas Company, and the retail electric rates of The Detroit Edison Company, Northern States Power Company, and Upper Peninsula Power Company.

The Commission revised its Mergers and Acquisitions Standards rules and completed a rules review to identify obsolete rules that could be rescinded. The Commission also promulgated new rules regarding 9-1-1 multiline telephone systems, and telecommunications arbitration and mediation.

The Commission's work in the telecommunications area included a focus on intrastate access charge reform, the implementation of the Access Restructuring Mechanism fund, and the amendments to the Michigan Telecommunications Act. The Commission also approved 53 carriers as eligible telecommunications carriers to apply for federal Universal Service funding. Additionally, the Commission has had great success with the Connect Michigan broadband program.

The Commission also implemented the modifications that Public Act 111 of 2011 made to the Motor Carrier Act, which subjects all businesses that tow or transport vehicles for hire to Commission regulation.

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

Very truly yours,

John D. Quackenbush, Chairman
Michigan Public Service Commission

Orjiakor N. Isiogu, Commissioner
Michigan Public Service Commission

Greg R. White, Commissioner
Michigan Public Service Commission

MICHIGAN PUBLIC SERVICE COMMISSION

2011 ANNUAL REPORT

John D. Quackenbush, Chairman
Orjiakor N. Isiogu, Commissioner
Greg R. White, Commissioner

MICHIGAN PUBLIC SERVICE COMMISSION
Department of Licensing and Regulatory Affairs

March 5, 2012



Table of Contents

| | |
|---|----|
| Commissioner Profiles..... | 1 |
| John D. Quackenbush, Chairman..... | 1 |
| Orjiakor N. Isiogu, Commissioner..... | 2 |
| Greg R. White, Commissioner..... | 3 |
| Mission and Goals..... | 4 |
| Staff Organization..... | 5 |
| Organizational Chart..... | 7 |
| Introduction..... | 8 |
| Special Circumstances | 9 |
| Division Reports | 10 |
| Regulatory Affairs Division..... | 10 |
| Electric Reliability Division | 13 |
| Management Services Division | 17 |
| Motor Carrier Division | 22 |
| Operations & Wholesale Markets Division | 25 |
| Regulated Energy Division | 30 |
| Service Quality Division..... | 33 |
| Telecommunications Division | 39 |
| Administrative Law Judges..... | 42 |
| Media & Public Information..... | 44 |



John D. Quackenbush, Chairman

John D. Quackenbush was appointed by Governor Rick Snyder to serve as Chairman of the Michigan Public Service Commission on Sept. 15, 2011. His term ends July 2, 2017.

Prior to his appointment, Chairman Quackenbush worked for UBS Global Asset Management for 10 years, most recently as managing director and senior investment analyst responsible for equity research for the transportation, utilities and coal industries in the U.S. and Canada. He previously worked as manager of the Sprint Corporation Treasury Department and Sprint Corporation Local Telecom Division. Before that, he served in several senior financial analyst roles with the Illinois Commerce Commission.

Chairman Quackenbush was named a Top Gun U.S. Industrials Investment Mind in 2011 by Brendan Wood International. He earned certification as a Chartered Financial Analyst (CFA) in 1993 and is a member of the CFA Institute and CFA Society of Chicago. He previously served as a board member of the Society of Utility and Regulatory Financial Analysts. He earned a bachelor's degree in business economics from Calvin College and a master's degree in finance from Michigan State University.



Orjiakor N. Isiogu, Commissioner

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

Mr. Isiogu served as Chairman of the Commission from the time of his appointment through October 2011. Commissioner Isiogu has over 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 Commission. 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 Uniform Video Services Local Franchise Act.

Prior to serving as Director of the Telecommunications Division, Mr. Isiogu was an Assistant Attorney General in the Special Litigation Division of the Michigan Attorney General's office where he served since 1989. While at the Special Litigation Division, Mr. Isiogu 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 consumer interests in state and federal proceedings involving utilities such as natural gas, electric and telecommunications.

Commissioner Isiogu has represented United States Energy Regulators at major international conferences in Africa and Europe. He is Co-Chair of the Smart Response Collaborative effort between the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC), and also served as Co-Chair of NARUC's White House Smart Grid Working Group. Mr. Isiogu is Co-Vice Chair of the NARUC Committee on Telecommunications and is a member of the International Relations Committee. Mr. Isiogu convened the Michigan Plug-In Vehicle Preparedness Taskforce in an effort to bring together the knowledge and expertise of a very diverse team of stakeholders to discuss and plan for the seamless customer experience and acceptance of Plug-In Electric Vehicles (PEV) in the state of Michigan. Commissioner Isiogu serves as a member of the Federal Communications Commission (FCC) Federal-State Joint Board on Jurisdictional Separations and the Board of Directors of the Organization of MISO States (OMS).

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, the Eastern and Western Divisions of the U.S. Federal District Court, and the United States Court of Appeals for the 6th Circuit.



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.

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

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

Mission and Goals

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

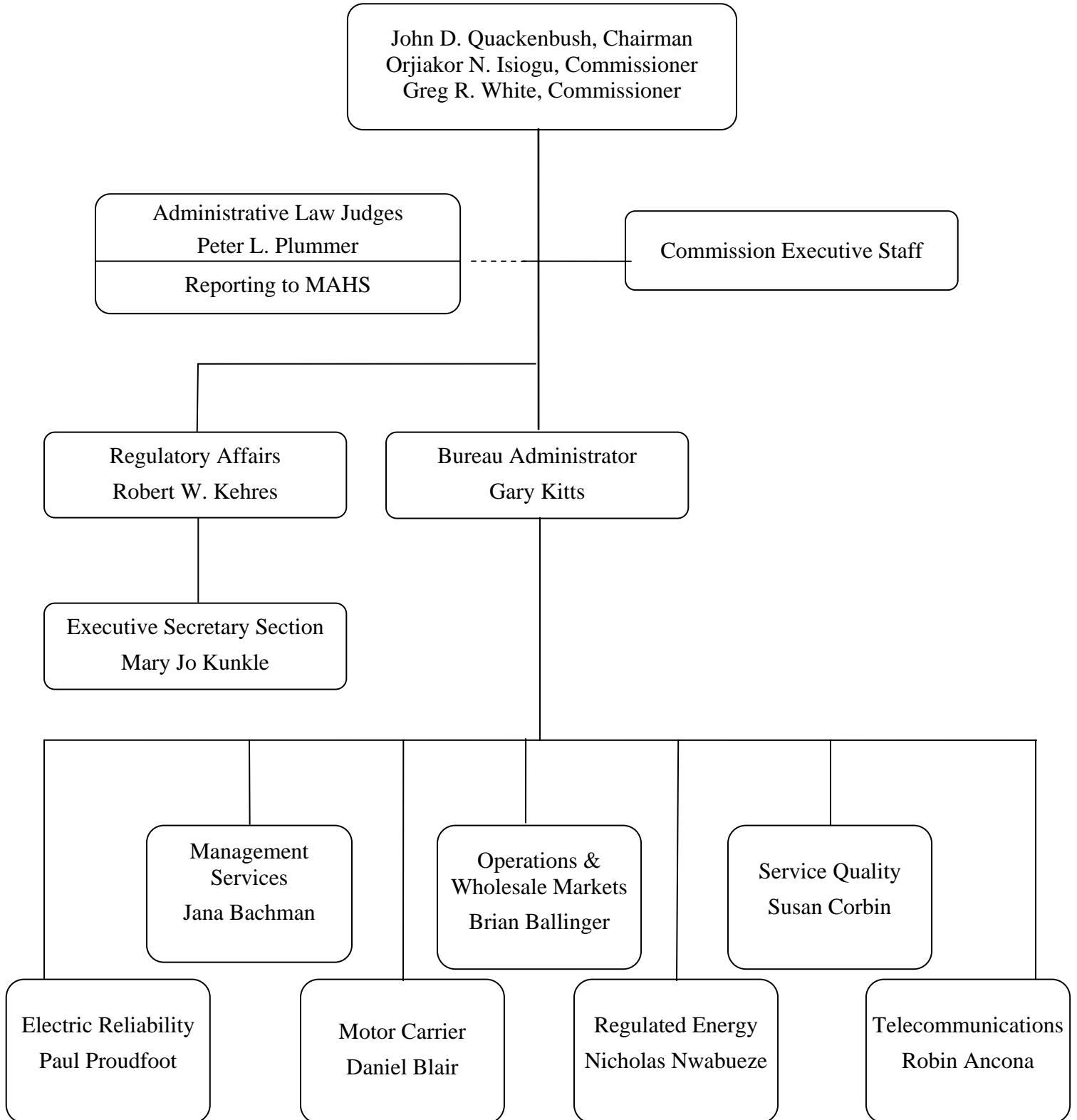
The Michigan Public Service Commission (MPSC) has a staff of 185, organized into eight Divisions: (1) Regulatory Affairs Division, which is primarily responsible for the drafting of Commission orders and administrative rules, and maintaining the Commission's files and official dockets; (2) Electric Reliability 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, 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.

In addition to the Commission's eight Divisions, the Michigan Administrative Hearing System, formerly 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 (including Washington, DC) average of 27.0 and an average of 23.2 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.

Special Circumstances

On Thursday, July 28, 2011, Commission Staff reported to work only to find that heavy rains the prior evening left approximately seven feet of water in the basement of the Commission offices. The hearing rooms were completely flooded and phones were not working. Late in the work day, Staff was evacuated from the building. Heavy rains fell again that evening and the building was flooded again. Commission Staff worked diligently and tirelessly to locate available office space for Staff. By Monday, August 1, 2011, the Commission secured space in four locations to accommodate most of the Staff. The remainder of the Staff was directed to telecommute on a full-time basis.

Staff continues to be located in four temporary locations. Most of the Staff that was telecommuting full-time have returned to one of the temporary locations. Hearings and Commission meetings continue to be held at two of the temporary locations. While the situation has involved moves and adjustments, Staff has responded to the challenging circumstances and continues to work persistently to ensure the work of the Commission is completed in an effective and efficient manner.

A request for proposals for leased space was issued on December 22, 2011. The due date for the proposals was February 13, 2012. The Commission anticipates occupying the selected leased space by September 1, 2012.

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, serving formal complaints, preparing and issuing official notices of hearing and notices of opportunity to comment, providing appropriate access to records, distributing official Commission documents, 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 700 orders in 2011, consisting of 182 telecommunications, 440 electric, 70 natural gas, and 8 motor carrier orders. The Commission issued 16 minute actions, three of which pertained to motor carrier issues.

Mary Jo Kunkle, Executive Secretary

Case Documents and Processing

The Commission received and processed 8,413 official documents from applicants, complainants, respondents, intervenors, and other interested persons. This included documents resulting from 143 cases opened by Commission's Own Motion orders in 2011.

The Commission served 34 formal complaints upon regulated telecommunications, electric, and gas providers. It issued 221 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 website. The Commission coordinated publication of two notices of public hearings related to rulemaking proceedings.

Court reporters were scheduled for 434 Commission hearings.

The Commission notified more than 300 industry officials and interested persons electronically of Commission's Own Motion orders through an automated electronic notification system. Subscribers receive nearly immediate access to released Commission orders and assist the Commission in reducing its copying and distribution costs.

Paperless Electronic Filings

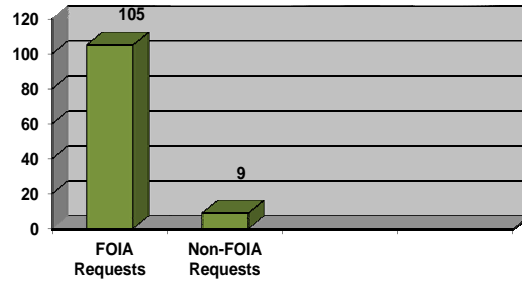
The Commission received 356 paperless cases and posted 8,007 filings from utility companies, intervenors, Commission Staff, administrative law judges, the Attorney General, ratepayers, and court reporters electronically filed to the E-Docket site. Parties to the cases, interested persons, and the general public have 24-hour access to all electronic case records via the Internet. A total of 2,062 paperless cases have been filed with the Commission since electronic case filings were implemented in September 2003.

Information Requests

The Commission prepared an extensive and exhaustive response to a subpoena by the United States District Court Northern District of Texas, in *United States of America v Chastity Lynn Faulkner et al.*, 3:09-CR-249-D.

The Commission provided written responses to 114 information requests under the FOIA and non-FOIA requests on a broad range of issues.

2011 Information Requests



Michigan Public Service Commission Annual Report

On March 7, 2011, the Commission submitted its 2010 annual report to Governor Rick Snyder and the Michigan Legislature as required by MCL 460.5a. The report was submitted electronically to reduce copying and distribution costs.

Electric Reliability Division

Paul Proudfoot, Director

The Electric Reliability Division (ERD) is responsible for providing the Commission with technical assistance and recommendations on electric and gas providers' energy optimization and renewable energy plans, implementing net metering programs, managing Act 30 transmission siting cases, and reviewing Certificate of Need applications for construction of new electric generation. ERD is also responsible for evaluating Energy Optimization (EO) and Renewable Energy (RE) reconciliation proceedings to ensure that regulated electric and gas providers are meeting the targeted EO and RE goals set out in 2008 Public Act 295 (Act 295). ERD is divided into four sections: Energy Efficiency, Renewable Energy, Generation & Certificate of Need, and Smart Grid.

Energy Efficiency Section

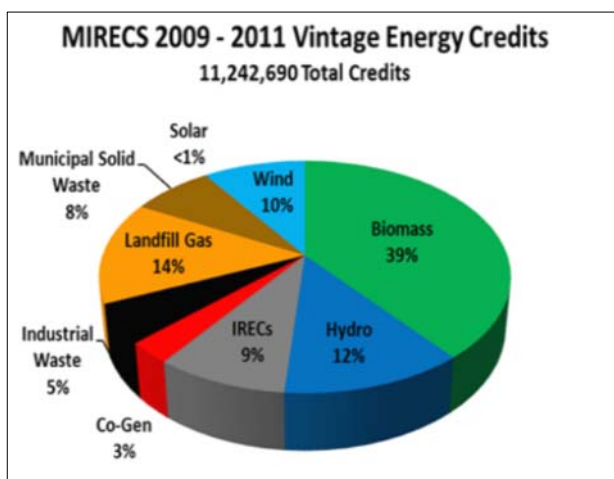
In 2011, there were 14 IOUs, 10 electric cooperatives, and 41 municipal electric utilities that filed EO plans, for a total of 65 EO plans. Some utilities have chosen to use the state administrator, Efficiency United, rather than run their own EO programs. Large customers may create their own EO plan; in 2011, 47 customers did so.

In 2011, **Michigan Saves** offered the Home Energy Loan Program throughout the entire state, established the Michigan Saves Commercial Energy Loan Program, executed the Michigan Saves Home Energy Mortgage Program, and negotiated with lenders to increase loan caps up to \$20,000. Michigan Saves has closed out its grant and transferred to independent nonprofit status.

Renewable Energy Section

Act 295 requires the Commission to review electric provider renewable energy plans every two years. Seventy-eight renewable energy plan cases were filed with the Commission during 2011. Of the plans filed, 8 were from investor-owned electric providers, 6 were from rate regulated cooperatives, 4 were from member-regulated cooperatives, 19 were filed by alternative electric suppliers, and 41 were from municipally-owned electric utilities. During 2011, the Commission approved eight applications for a total of 67 RE contracts (57 contracts are for small solar projects) totaling over 307 megawatts (MW) of renewable energy.

Section 41 of Act 295 directs the Commission to “establish a renewable energy credit

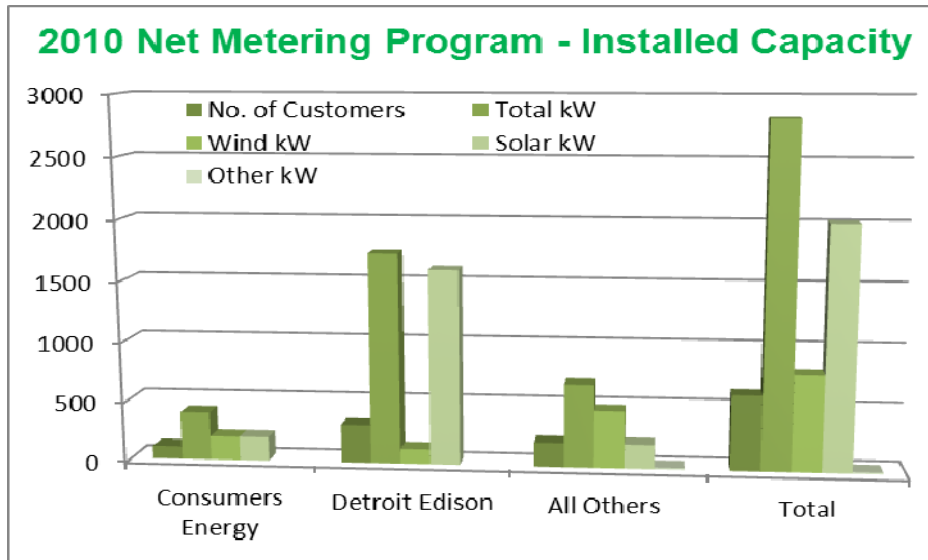


certification and tracking program.” Michigan Renewable Energy Certification System (MIRECS), launched in 2009, has been designed to track and certify all Michigan credits necessary for compliance with Act 295. Through 2011, over 11 million energy credits have been created in MIRECS. The

chart shows the breakdown of RECs by energy type.

The Commission continued monitoring the Act 295 net metering program. Through 2010, 628 customers have installed on-site renewable energy electric generation projects totaling 2.8 MW under Michigan’s net metering program.¹ The chart provides an overview of several factors related to the 2010 installations. Michigan’s program received a grade of “A” for the second consecutive year from [Freeing the Grid](#).

¹ 2011 net metering program data will not be filed with the Commission until late March, 2012.



Generation & Certificate of Need Section

On August 30, 2010, ITC Transmission applied to the Commission for expedited siting approval under Act 295. The project called for approximately 140 miles of double circuit 345 kilovolt transmission lines through the Thumb, designed to support the identified wind energy potential in the region. On February 25, 2011, the Commission granted ITC Transmission an expedited citing certificate in Case No. U-16200.

The Staff has been actively monitoring the progress and implications of four EPA administrative rule sets and their associated regulatory requirements, particularly as they relate to potential rate impacts on Michigan customers. The Commission filed comments with the Federal Energy Regulatory Commission on the Mercury Air Toxics Standards and the Cross State Air Pollution Rule.

Smart Grid Section

One of the primary responsibilities of the Smart Grid Section is to review and evaluate the reasonableness and prudence of utility proposals for smart grid projects. These projects can include advanced meters, dynamic rate structures, load control, and distribution system

applications. The Smart Grid Section analyzed and provided testimony for three proposed projects in 2011.

On November 1, 2009, the Commission was awarded the State Electric Regulators Assistance (SERA) Grant, funded through the US Department of Energy which is administered by the Smart Grid Section. A comprehensive final report is required by January 30, 2013.

In January 2011, Staff began a collaborative process with Michigan utilities to provide a report to the Commission in response to smart grid pilot projects potentially leading to full deployment, the entrance of plug-in electric vehicles into the marketplace, and increased interest in smart grid national policy. The **final report** will serve as an informative document as smart grid deployment advances in Michigan.

Management Services Division

Jana A. Bachman, Director

The Management Services Division (MSD) is responsible for Staff support to the Commission and for all activities related to administrative issues, energy grants, energy data and security, energy and utility forecasts, tracking the adequacy of the state's energy supply, research, homeland security, and critical infrastructure protection, as well as website operations and applications. MSD is in charge of matters related to personnel, labor relations, training, budget, purchasing, building maintenance, and technical support.

Energy Grants

Low-Income and Energy Efficiency Fund

The Customer Choice and Electricity Reliability Act, 2000 PA 141 (Act 141), MCL 460.10a *et seq.*, authorized the creation of the Low-Income and Energy Efficiency Fund (LIEEF). On November 20, 2001, the Commission issued an order in Case No. U-13129, establishing the procedural framework for the implementation and administration of the LIEEF. Prior to July 2011, the Legislature appropriated monies annually from the LIEEF for grants and contracts to be awarded by the Commission to qualifying organizations. The purpose of the fund was to provide shut-off and other protection for low-income customers and to promote energy efficiency by all customer classes.

Grants and contracts for services were awarded from the LIEEF during 2011 as follows:

Low-Income Energy Assistance Grants

| 2011 Low-Income Energy Assistance Grantees | Total |
|--|---------------------|
| Barry County United Way | 150,000 |
| Department of Human Services | 35,000,000 |
| Downriver Community Conference | 1,000,000 |
| Lighthouse Emergency Services | 300,000 |
| Michigan Community Action Agency Association | 2,500,000 |
| The Salvation Army | 7,875,000 |
| The Society of St. Vincent de Paul of the Archdiocese of Detroit | 800,000 |
| The Heat and Warmth Fund | 11,375,000 |
| TrueNorth Community Services | \$3,000,000 |
| | \$62,000,000 |

Low-Income Energy Efficiency Grants

On June 16, 2011, the Commission issued an order in Case No. U-13129 awarding the Michigan Community Action Agency Association an additional Low-Income Energy Efficiency grant in the amount of \$5 million for Phase II of its Low-Income Energy Affordability Demonstration Project.

Michigan Energy Efficiency Grants

On June 28, 2011, the Commission issued an order in Case No. U-13129 awarding one Michigan Energy Efficiency grant totaling \$5 million to the Clean Energy Coalition to continue its currently operating program.

Contracts

On January 19, 2011, the Commission retained the services of Michigan State University for \$524,358 to conduct an assessment of the rate and nature of compliance with the 2003 Michigan Uniform Energy Code (MUEC) (or newer standards if the MUEC is amended during the period of the resulting contract).

On May 6, 2011, the Commission retained the services of GDS Associates, Inc., for \$433,342.50 to conduct an Energy Optimization and Customer-Site Renewable Energy Potential Study.

Michigan Court of Appeals Decision

On July 21, 2011, the Court of Appeals issued its decision in *In re Michigan Consolidated Gas Company*, ___ Mich App ___; ___ NW2d ___ (2011) determining that “administration of a Low-Income and Energy Efficiency Fund does not fall within the scope of the PSC’s general statutory powers.” On September 1, 2011, the Commission filed an application for leave to appeal with the Michigan Supreme Court appealing the Court of Appeals decision. As of September 30, 2011, all active grants and contracts awarded from the LIEEF in 2009, 2010, and 2011 were terminated. On December 20, 2011, the Commission issued three orders vacating its June 16 and June 28, 2011 orders in Case No. U-13129.

Vulnerable Household Warmth Fund

On December 20, 2011, Public Acts 274, 275, and 276 of 2011 were enacted, replacing the LIEEF with the Vulnerable Household Warmth Fund (VHWF) for the 2011-2012 heating season for the purpose of “provid[ing] payment or partial payment of bills for electricity, natural gas, propane, heating oil, or any other type of fuel used to heat the primary residence of a vulnerable customer during the 2011-2012 heating season.” MCL 460.9q(20). Act 275 authorized a one-time appropriation of \$23 million to the Commission and \$35 million to the Department of Human Services from the VHWF. Act 275 directed the Commission to award grants to all entities, except the Department of Human Services, on a pro rata basis consistent with the Commission’s June 28, 2011 order awarding low-income energy assistance grants in Case No. U-13129. The order was issued December 20, 2011, authorizing the following:

| 2011 Vulnerable Household Warmth Fund Grantees | Total |
|--|---------------------|
| Barry County United Way | 127,778 |
| Downriver Community Conference | 851,852 |
| Lighthouse Emergency Services | 255,556 |
| Michigan Community Action Agency Association | 2,129,630 |
| The Salvation Army | 6,708,333 |
| The Society of St. Vincent de Paul of the Archdiocese of Detroit | 681,481 |
| The Heat and Warmth Fund | 9,689,814 |
| TrueNorth Community Services | 2,555,556 |
| | \$23,000,000 |

Energy Data & Security Section

Emergency Preparedness

Pursuant to 1982 PA 191, MCL 10.81 *et seq.*, (Act 191) the Energy Data & Security Section Staff monitors the state’s overall energy supply. Through 2011, the Staff continued work on the Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency project, a grant administered by the US Department of Energy. Staff participated in the development of an emergency response guide, developed an online emergency management and homeland security training course, participated in two additional preparedness exercises, developed a local energy assurance implementation manual, and conducted additional site visits in support of the Commission’s critical infrastructure protection program.

Energy Assurance Outreach

Based on the Public Technology Institute’s guide for local energy assurance planning, Commission Staff developed a Michigan-specific manual and CD-ROM in a downloadable format that will enhance the implementation process. In 2012, the outreach program is intended to be launched through five regional conferences across the State. A major objective of the conferences is to bring private and public officials together, and begin collaborative discussions on how best to improve resiliency in local energy systems.

Critical Infrastructure

In 2011, work continued on implementing the federal Automated Computer Asset Management System and the Protection of Critical Infrastructure Information Programs. Although the Commission has learned that federal funding for these programs has been suspended, it is continuing to develop its Critical Infrastructure Protection Program and in late 2011 visited ITC Holdings (which manages much of the State's power transmission lines) in Novi, Michigan, and BP's Whiting Refinery (which provides Michigan with a major portion of its petroleum products) located just south of Chicago. In 2012, the Commission will complete its assessment of major petroleum pipelines and the Marathon refinery in Melvindale, Michigan.

Energy Monitoring

The Commission issues a short-term energy forecast of supply and demand each spring and fall focusing on factors and market trends that impact price, supply, and availability. During the winter months, the Commission conducts a [weekly survey](#) of residential heating oil and propane prices under a grant from the Energy Information Administration.

The Staff also updated the [Michigan Energy Overview](#) which provides a detailed breakdown of energy use in Michigan over the last 45 years and a comprehensive overview of energy use in Michigan, as well as energy use by the residential, commercial, industrial, and transportation sectors, including how much is spent on energy by sector and fuel.

Motor Carrier Division

Daniel Blair, Director

The Motor Carrier Division (MCD) is responsible for technical and administrative support to the Commission in the area of motor carrier regulation, as well as support duties prescribed by the Carriers by Water Act. The division is comprised of two sections: Credentials & Customer Service Section and Regulation, 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 2011, the Commission processed 577 applications. Each motor carrier applying for intrastate authority is required to submit proof of commercial public liability/property damage (PL/PD) insurance. The Commission also granted 190 requests for temporary operating authority, and reviewed 350 applications for or modification of authority. Each application was reviewed to ensure compliance with truck safety requirements, including the carrier's safety policy, drug and alcohol testing policy, and driver qualifications under the Motor Carrier Act. Intrastate decal sales generated \$536,981 in 2011. As of December 31, 2011, more than 5,100 Commission Decals were issued for 2012.

Household Goods Carriers Regulation

Household goods carriers are required to file and maintain tariffs with the Commission. In 2011, 26 new applications for household goods authority were processed. Application packets were mailed to 37 carriers suspected of operating without authority. Eleven of these were referred for investigation to the Michigan State Police (MSP) Commercial Vehicle Enforcement

Division. The Commission was successful in having “Craig’s List” establish a link to the Commission’s “Household Goods Information” webpage.

Unified Carrier Registration Program

The Commission is a member state of the Unified Carrier Registration (UCR) program. MCD Staff activities include the annual registration of motor carriers as well as participation in scheduled UCR Board conference calls. In December 2011, more than 22,000 2012 UCR renewal notices and application forms were mailed to private, for hire, and exempt carriers operating in interstate commerce, as well as interstate brokers, freight forwarders, and leasing companies in both Michigan and the Province of Ontario. In 2011, Michigan collected or received a total of \$6,126,720 from the UCR program which is required to be used for motor carrier safety programs.

Intrastate US Department of Transportation Numbering Program

As of June 1, 2009, the MCD began issuing US Department of Transportation (USDOT) numbers for intrastate carriers with vehicles over 10,000 pounds Gross Vehicle Weight Rating on behalf of the MSP. In 2011, the MCD answered 5,145 calls and issued 2,132 USDOT numbers.

Legislation Affecting Intrastate Motor Carriers

On July 20, 2011, Governor Snyder approved Public Act 111 of 2011 (Act 111) which amended the Motor Carrier Act (Act 254) by removing two primary exemptions provided to towing companies. Act 111 went into effect January 1, 2012.

Water Ferry Regulation

On February 4, 2011, Shepler’s Inc., a ferry company in Mackinaw City, filed a complaint and petition for the Commission to assume jurisdiction over the rates, fares, charges,

or tariffs of ferry boat service to and from Mackinac Island. The Commission ordered an investigation into the complaint, resulting in MCD Staff scheduling an audit of the three ferry companies involved: Shepler's Inc., Arnold Transit Co., and Star Line. In May and June, all parties involved in the case requested that the case be dismissed due to disputed issues being resolved. The Commission issued an order dismissing the investigation on June 16, 2011.

On November 1, 2011, Champion's Auto Ferry (Champion) filed its tariff, MPSC No. 35. This tariff increases rates in each fare class for ferry service between Harsens Island and Algonac, Michigan with an effective date of January 1, 2012. At the evidentiary hearing on November 28, 2011, Champion and the Commission Staff stipulated to postpone the effective date of the increase to April 1, 2012, to allow for ample time to conduct an audit. On February 15, 2012, the Commission granted a request by Champion to withdraw its request.

Operations & Wholesale Markets Division

Brian Ballinger, Director

The Operations & Wholesale Markets Division (OWMD) is comprised of three sections and 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 customers are provided quality energy service, in a safe, reliable, and efficient manner. The following chart highlights Commission orders issued from cases originated in OWMD in 2011.

| MPSC Orders - OWMD 2011 | |
|--|-----------|
| Act 238 Gas Storage | 1 |
| Gas Pipeline Construction Requests (Act 9) | 7 |
| Hazardous Liquid Pipeline Construction Requests (Act 16) | 1 |
| Public Convenience and Necessity (Act 69) | 1 |
| Pipeline Safety (Act 165) | 1 |
| Meter Testing for Electric | 2 |
| Electric Operations | 3 |
| Long-Term Meter Move Out Program | 1 |
| Long-Term Main Replacement Program | 1 |
| Total | 18 |

Electric Operations Section

The Electric Operations Section is responsible for monitoring the performance of electric utilities in providing safe, reliable, and good quality power service to jurisdictional electric utility customers through the service quality and reliability standards for electric distribution systems per Administrative Rule 460.701. The Electric Operations Section administers rules regarding services supplied by electric utilities to Michigan customers such as: 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. The electric utility companies are required to file

an annual report on service quality and reliability standards in Case No. U-12270 per Administrative Rules R 460.701 through 460.752. Annual power quality and reliability reports are filed by Consumers Energy Company (Consumers Energy) in Case No. U-16066 and by The Detroit Edison Company (Detroit Edison) in Case No. U-16065.

In 2011, the Commission continued to closely monitor the capacity and load of Consumers Energy and Detroit Edison during the summer period. It is critical that power supplies are sufficient to meet the demands of the hot summer months. All electric utilities were required to file electric supply reliability plans in Case No. U-16515. Midwest Independent Transmission System Operator, Inc. (MISO) is the regional transmission organization (RTO) that is the reliability coordinator and operator of the bulk power transmission system for the majority of Michigan and is responsible for determining, declaring, and communicating when a 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. OWMD staff closely monitors MISO operational situations for the Commission.

Gas Operations Section

The Gas Operations Section maintains responsibility for monitoring the distribution, production, transmission, and underground storage of natural gas in the state of Michigan; review of applications for certificates of need and necessity; and performing natural gas pipeline safety inspections for all natural gas jurisdictional pipeline operators for both interstate and intrastate pipelines, per requirements of Public Act 165 of 1969 and US Department of Transportation (USDOT) requirements under Title 49 of the United States Code, Part 192. The Gas Operations Section Pipeline Safety Program works as a liaison with the Federal pipeline

safety officials to enforce natural gas safety standards, and performs natural gas and petroleum inspections.

Gas Safety engineers inspect all jurisdictional pipeline operators for compliance with the Michigan Gas Safety Standards, thus meeting the requirements of Public Act 165 of 1969 and the USDOT. The Commission also investigated all jurisdictional incidents that met the USDOT requirements. The pipeline safety program maintained its federal certification following receipt of a favorable review by the USDOT in 2011.

Staff in the Gas Section is responsible for reviewing applications for Certificate of Public Convenience and Necessity for franchises (Act 69 of 1929), construction of natural gas pipelines (Act 9 of 1929), construction of hazardous liquids pipelines (Act 16 of 1929), and natural gas storage fields (Act 238 of 1923). The Gas Operations Section also issues standard well connection permits and tracks monthly natural gas production volumes.

Energy Markets Section

The Energy Markets Section has responsibility for all federal and regional electric and natural gas dockets and technical and policy issues involving the state of Michigan and the Commission in federal agency proceedings and regional stakeholder processes. 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 the Federal Energy Regulatory Commission (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 prompted the creation 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 (I&M), is PJM Interconnection (PJM). These two RTOs administer wholesale markets, manage reliability, and conduct regional planning for both electric transmission and planning reserve resource requirements.

The Energy Markets Section is involved 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 and compliance filings before the US Department of Energy (DOE), the FERC, and other federal agency or court proceedings. The section actively participates and provides staff leadership in work groups involving the MISO and PJM and the parallel regional state committees on national and regional electricity issues. They also provide technical staff support for Commissioners' involvement in national and regional forums.

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 Midwest ISO States (OMS), PJM, 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 the Commission on these matters.

The Energy Markets Section also assists Commissioners in their ongoing roles as members and officers of regional state committees. In 2011, Commissioner Orjiakor N. Isiogu

was an OMS representative and Commissioner Greg R. White was an officer of the OPSI Board of Directors. In 2012, Commissioner White will serve as the President of OPSI.

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 service are provided in a safe, reliable, and efficient manner at prudent and reasonable prices for Michigan's citizens and businesses. RED administers the Commission's Gas Cost Recovery (GCR) and Electric Power Supply Cost Recovery (PSCR) Programs, Uniform System of Accounts (USOA), Utility Annual Reports, and Utility Tariff Books. RED is also 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.

Rate Cases and Self-Implementation Events

In addition to the four rate cases still being processed, the Commission issued rate orders that approved rate changes for five utilities. The approved rate orders resulted in rate increases ranging from 0.71 percent to 10.30 percent, or a monthly bill increase of \$0.93 to \$5.20 for residential customers. The following table provides a summary of the total amount of requested and approved rate orders.

Summary of Requested and Approved Amounts

| | Requested Increase | Approved Increase |
|-------------------------------------|------------------------|------------------------|
| <i>Approved Rate Orders - Total</i> | \$526.6 Million | \$232.4 Million |
| <i>In Process - Total</i> | \$283.3 Million | n/a |

*Information in the table above reflects Commission action concluded by 12/31/2011.

The Commission opened five Self-Implementation Refund proceedings and concluded three of them in accordance with Public Act 286, which provides for refunds of revenue over-collected due to rate self-implementation. Of the three concluded cases, one resulted in a refund for Indiana Michigan Power Company customers in the amount of \$3,076,872, or an average residential credit of \$5.53 per customer.

TIER Cases

The Commission opened seven proceedings under the times interest earned ratio (TIER) mechanism for six rural electric cooperatives and one gas cooperative. All seven of them, as well as one other from 2010, were concluded. The TIER mechanism determines the need to change rates and is used by all Michigan rural electric cooperatives under Commission rate jurisdiction. Five of the eight concluded TIER cases resulted in rate increases ranging from a total of \$499,859 to \$4,439,042, or an average monthly bill increase of \$2.46 to \$10.10 for residential customers.

Act 304 Reconciliation Cases

The Commission opened 16 electric PSCR reconciliation proceedings and concluded 12 of them in accordance with 1982 Public Act 304 (Act 304).

The Commission opened eight GCR reconciliation proceedings and also finalized seven others that overlapped from 2010 in accordance with Act 304. In addition, the Commission opened one Steam Supply Cost Recovery (SSCR) reconciliation in 2011 and concluded a similar case from 2010.

Depreciation Cases

The Commission issued three depreciation orders, with two of the cases having been settled. Two additional depreciation cases were filed in December 2011.

Act 304 Recovery Programs

The Commission conducted nine natural gas plan cases, including seven GCR plans for the 2011-2012 plan year and two GCR plans for the 2010-2011 plan year in accordance with Act 304. In addition, six GCR plans for the 2012-2013 year were filed in December 2011.

The Commission conducted 28 electric plan cases, including one PSCR plan for 2010, 13 PSCR plans for 2011, and 14 PSCR plans for 2012, in accordance with Act 304.

The Commission conducted one SSCR plan case during 2011 for the period April 1, 2011 to March 31, 2012 in accordance with 2008 PA 132, MCL 460.6r *et seq.*

Customer Choice Programs

The number of electric choice program customers and megawatts (MW) decreased in 2011. A total of 7,042 customers were in service in Detroit Edison's and Consumers Energy's electric choice programs as of December 2011. Statewide, alternative electric suppliers (AES) served a total of 1,984 MW in 2011. The Commission rescinded one AES license that was issued to DPL Energy Resources, Inc. (DPL) at the request of DPL. The Commission also issued one new AES license to Duke Energy Retail Sales, LLC.

The number of customers participating in natural gas choice throughout the state increased in 2011, totaling 487,096. Alternative gas suppliers (AGS) served roughly 92.1 billion cubic feet of annualized natural gas sales in 2011. The Commission issued two new AGS licenses to CenterPoint Energy Services, Inc., and Xoom Energy Michigan, LLC, d/b/a Xoom Energy, during 2011.

Service Quality Division

Susan Corbin, 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, and is comprised of two sections: Customer Support (Call Center) and Service Quality. Activities include: responding to inquiries from the public, resolving utility and alternative supplier customer complaints, tracking complaint data, identifying trends, working with companies to institute changes to avoid customer problems, providing consumer information and outreach, and participating in the development and implementation of programs for low-income customers.

Complaint and Inquiry Calls

Complaints and inquiries are received on the Commission's toll-free and general telephone lines, through the Commission's website, fax, and mail, and from customers who walk into one of the Commission's temporary offices. The division also assists customers who have contacted the Governor's office, Legislative Staff, Department Director's office, and other state agencies with energy and telecommunication complaints and inquiries. Video franchising complaints and inquiries, which were formerly located in the Telecommunications division, have been consolidated into the Service Quality section this year.

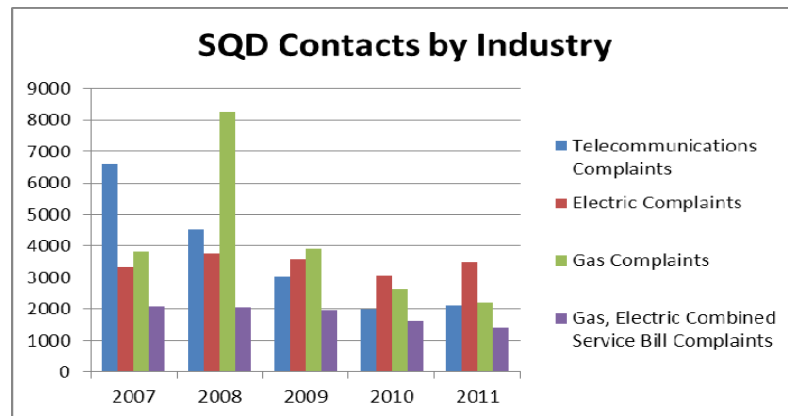
When contacting the Commission, a customer is prompted to select the appropriate industry of concern and calls are answered live by a representative. A customer record is created for each customer complaint and/or inquiry. These records allow the Staff to track the history and progress of the customer's concern to completion, and accumulate data used to analyze complaint trends. 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.

SQD created a total of 9,338 new informal complaints and inquiries, a 0.3 percent increase compared to the total number of inquiries and complaints received in 2010 (9,306). During 2011, 19,239 calls were handled by the Call Center, a 21 percent decrease compared to 2010 (24,420). The number of complaints received through the website has increased from 2,364 (26 percent of complaints/inquiries) in 2010 to 2,775 (30 percent of complaints/inquiries) in 2011.

Energy

Energy Regulation Officers handled 7,097 complaints and inquiries, a decrease of three percent from last year.



Staff has noticed a small increase in complaints regarding both The Detroit Edison Company (Detroit Edison) and Consumers Energy Company (Consumers Energy), the state’s two largest energy utilities, with complaints against Detroit Edison increasing by three percent and complaints against Consumers Energy increasing by five percent. Overall, billing responsibility was the most common issue. Other customer concerns included: shutoffs, billing miscellaneous, high billing costs, and frequent outages.

Frequent outage complaints increased 125 percent in 2011. Some of the increase may be related to outages due to increased storm activity throughout the year. However, after declining in 2010, repair and maintenance complaints have also increased 50 percent in 2011.

Commission Staff are actively working with the affected communities and utilities to address this critical issue.

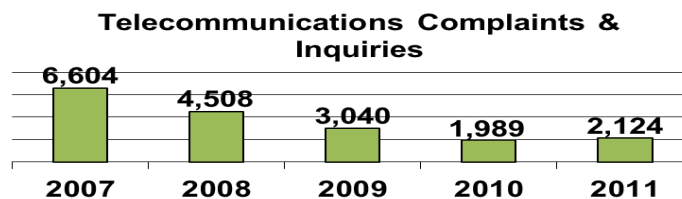
Because advanced meter infrastructure (AMI) is an advancing technology and regulated utilities are beginning their installation, SQD began tracking AMI concerns in 2011, which accounted for only one percent of the total energy complaints/inquiries. This number may increase as meters continue to be upgraded throughout the state.

There has been a marked improvement in alternative gas supplier (AGS) complaints/inquiries, including slamming and deceptive marketing, and overall AGS complaints and inquiries have declined 28 percent since last year. An exception to this trend is Santanna Energy Services, which saw their complaints and inquiries increase 30 percent from 2010.

Small businesses accounted for 1,036 contacts in calendar year 2011: 369 regarding telecommunications and 663 regarding natural gas and electric services. Resolution of these complaints resulted in over \$375,000 in avoided costs/cost savings for Michigan's small businesses.

Telecommunications

Telecommunications complaints had been steadily declining, as customers migrate from landline telephones to wireless and Voice Over Internet Protocol (VoIP) services but SQD saw an increase in complaints of seven percent in 2011.



Commission Staff believes that a portion of this increase is due to the changes made to the Michigan Telecommunications Act (MTA), which limited Commission oversight of local telephone services (PA 58 of 2011, effective June 14, 2011). SQD averaged 144 complaints per month prior to the MTA changes. Since then, complaints have increased to an average of 252 per month.

Local rural carriers have been affected by long distance service quality problems or “least cost routing” in which a customer’s long distance phone call is routed through an outbound provider based on cost. The Telecommunications Division, SQD, and the Telecommunications Association of Michigan have worked to promote this important rural carrier issue to the Federal Communications Commission (FCC). In response, the FCC has established the Rural Call Completion Task Force, which will now be actively investigating least cost routing issues at the national level.

SQD has also handled complaints involving slamming and cramming, general service concerns, billing charges and credit issues, repair problems, and billing errors.

Uniform Video Services Local Franchise Act

The video franchising section received 757 customer cable complaints between January 1, 2011 and December 31, 2011, a 30 percent decrease from 2010. The three providers with the most complaints/inquiries are: Comcast (54 percent), Charter Communications (20 percent) and AT&T Michigan (12 percent). Since these three providers have the most subscribers in Michigan, it is not unusual that they have the most complaints and inquiries filed

with the Commission. Customer concerns included: billing, customer service, request for service, and equipment 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 and the Commission issues a final order. This past year, SQD handled approximately 40 formal complaint cases, 30 of which were closed, with most of them resolved through settlement agreements. Ten of the 40 formal complaints are still pending.

Consumer Education and Low Income Initiatives

MPSC Consumer Tips on important utility issues are available on the Commission's website. Staff participated in a number of community outreach initiatives to educate customers, as well as publishing an email newsletter with seasonal tips and low income assistance information. In total, over 58,000 publications were distributed during 2011 through outreach activities. For the 24th consecutive year, the Commission hosted statewide Consumer Forums, providing the public with an opportunity to meet the Commissioners, learn about current issues, and discuss utility issues. Over 400 customers attended the forums in Ontonagon, Gladstone, Grayling, Lansing, Grand Haven, Hamtramck, and Ypsilanti.

The Commission held a public hearing in February to receive comments on proposed federal funding cuts to the Low-Income Home Energy Assistance Program. A **report** was submitted to the Governor and the Legislature on September 21, 2011 regarding this issue. SQD staff participated in the Energy Assistance Process Review, a project sponsored by State Senator Bruce Caswell with reinforcing sponsorship from the Commission, the Michigan Department of Human Services, and Michigan Community Action Agencies. The Review Team is comprised

of representatives from state government, utilities, and community action groups, and has been charged with creating a new model for Michigan that will be effective in addressing the issues and funding challenges to support citizens in energy crisis situations.

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, provider-to-provider interconnection issues and complaints, Universal Service Fund requirements, administration of the Access Restructuring Mechanism fund, and all other state regulatory requirements as defined by the Michigan Telecommunications Act (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.*, and the Metropolitan Extension Telecommunications Rights-of-Way Oversight (METRO) Act, 2002 PA 48, MCL 484.3102, *et seq.*, (Act 48). The Telecommunications Division is comprised of four sections: Licensing & Competitive Issues, Operations & Tariffs, Rates & Financial Analysis, and Access Restructuring Fund Administration.

Revisions to the Michigan Telecommunications Act

Public Act 58 of 2011 went into effect June 14, 2011, and amended various sections of the MTA. Some of the most significant changes are: eliminating the requirement for providers to offer primary basic local exchange service, removing the requirement for providers for automatic delivery of a printed white pages directory to customers, rescinding service quality rules as well as rules for privacy standards and billing standards, removing protections against predatory pricing for retail services, changing the terms and process for providers to discontinue

basic local exchange and toll service to customers in a given area, and adding interconnected voice over internet protocol service (VoIP) as a service that the Commission does not have authority over.

Local Telephone Competition

The Commission granted licenses, or approved amendments to existing licenses, for 13 telephone companies in 2011. At the end of the year, 190 competitive local exchange carriers (CLECs) were licensed to provide telecommunications services in Michigan. According to the results of an annual survey conducted by the Staff in early 2011, CLECs were serving 28.5 percent, or about 1,032,595, of the lines provided to customers in Michigan. Based on 2010 data, competition in the wireline telecommunications market in Michigan has continued to increase. The number of lines served by CLECs via local wholesale arrangements was 100,624 lines or 9.7 percent of all CLEC line activity. Resale accounted for 123,852 lines, while lines served over unbundled network facilities were 248,895, and lines served via CLEC-owned facilities were 333,617. As of December 2010, there were approximately 210 Commission-approved interconnection agreements in effect between AT&T Michigan and its competitors, and 121 Commission-approved interconnection agreements between Frontier North and Frontier Midstates (f/k/a Verizon North and Verizon North Systems) and its competitors.

Abbreviated Dialing Number 2-1-1 and 9-1-1 Programs

Currently, the entire Upper Peninsula and 46 Lower Peninsula counties are served by 2-1-1 call centers. In 2011, applications were approved for Genesee, Shiawassee, Barry, Ionia, Montcalm, Lake, Mecosta, Newaygo, Osceola, and Lapeer counties.

On March 17, 2011, 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, 2012. This was the second year of the two one-year renewal periods granted by the Commission.

Under Public Act 164 and 165 of 2007, the Commission was required to promulgate rules governing areas of 9-1-1 administration including the requirements for multiline telephone systems and training standards for Public Safety Answering Point (PSAP) personnel. Public Act 271 of 2011 was signed into law on December 19, 2011, extending the deadline for compliance until December 31, 2016. The Commission will continue with the formal process on the training standards for PSAP personnel in 2012.

METRO Issues/Rights-of-Way

Act 48, is designed to stimulate the availability of affordable high-speed Internet access by simplifying the permit process and standardizing fees for local rights-of-way access. The Commission-approved METRO Tax Credits for 67 providers in 2011.

Broadband Mapping and Planning: Connect Michigan

The National Telecommunications and Information Administration awarded Connect Michigan funding to implement broadband mapping and planning initiatives over a five-year period. Connect Michigan is a public-private partnership between the Commission and Connected Nation, a national leader in broadband mapping, to expand broadband availability, adoption and use throughout Michigan. The Connect Michigan initiative has also started to work directly with communities across the state through its Connected Community certification program. Additional information about the project is available on the Connect Michigan website as well as the Commission's website at www.michigan.gov/broadbandmapping.

MAHS Administrative Law Judges

Peter L. Plummer, Administrative Law Manager

Effective April 25, 2011, the Michigan Administrative Hearings System (MAHS) was created by Executive Order No. 2011-4 to provide services related to the administrative hearing functions for departments or agencies, including the Commission. MAHS 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 (PFD) at the conclusion of each contested case. Currently, an Administrative Law Manager, six Administrative Law Judges (ALJs) and one support staff carry out this function.

During 2011, MAHS ALJs assigned to Commission proceedings conducted 237 days of hearings and issued a PFD in 27 cases. In addition, 163 settled or undisputed cases were processed and transmitted to the Commission for its consideration. 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 MAHS Administrative Law Judges were responsible for conducting the proceedings in several more remarkable Commission matters.

A series of rate case proceedings were conducted pursuant to the requirements of Act 286, which provides, among other things, that such rate cases must be completed within 12 months of the filing of the application, lest the application be considered approved in its entirety. In addition, dozens of other highly time-sensitive cases were handled pursuant to the biennial Energy Optimization and Renewable Energy review process established by Act 295. As a result,

the contested case process and all parties' resources were significantly challenged in bringing these cases to a timely conclusion. Moreover, the evacuation of the Commission's offices in late July 2011 also displaced the MAHS ALJs, thus compounding the challenges faced by all.

Among the largest of the general rate cases dealt with during 2011 was that filed by The Detroit Edison Company (Detroit Edison) on October 29, 2010 in Case No. U-16472. The utility requested additional revenues in the amount of \$443 million annually. Case No. U-16472 was subsequently consolidated with Case No. U-16489, which was a previously-filed request from Detroit Edison to defer certain pension and post-employment benefit expenses for future amortization and recovery. Twenty parties participated in these consolidated cases, 53 witnesses were offered for cross-examination, and 366 exhibits were received into evidence. The transcript, developed over nine days of hearings, totaled 2,384 pages for the consolidated proceeding. A 138-page PFD was issued on August 12, 2011 which, among other things, recommended total rate relief of approximately \$154.6 million. On October 20, 2011, the Commission issued its final order authorizing Detroit Edison to increase its electric rates by \$174.9 million annually.

Media and Public Information

The Commission issued 147 press releases resulting from Commission orders, programs, and activities.

Press releases announced Commission action on a wide range of issues, including: an update on progress made toward meeting the 2015 renewable portfolio standard; increases in the number of natural gas choice customers; increases in telephone and video competition; several electric and natural gas rate cases; the granting of an expedited siting certificate to construct a transmission line in the Thumb region's wind energy resource zone; the reduction in the renewable energy surcharge for Consumers Energy customers; the new effort to expand broadband opportunities in Michigan and highlighting a report on broadband access; a new law regulating all towing and motor vehicle transporters beginning in January 2012; a report showing that energy optimization programs are exceeding targets; updates on the number of net metering customers in Michigan; and grants awarded from the new Vulnerable Household Warmth Fund.

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