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

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COMMISSIONER

March 7, 2011

Honorable Rick Snyder
Governor of Michigan

Honorable Members of the Michigan Senate

Honorable Members of the Michigan House of Representatives

The enclosed *2010 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 thought-provoking and inspiring year at the Commission. With the nationwide shift in focus toward clean, renewable, and efficient energy sources, the Commission has dedicated resources to new and already-in-place technologies that can be used to provide affordable "green" energy. The Commission continued its efforts to provide information, complaint assistance, and financial support to those most needing it. As always, the Commission continues to commit itself to balancing the needs of consumers and utility providers.

Throughout 2010, the Commission maintained its commitment to address the needs of Michigan's low-income and senior citizens, awarding \$59,000,000 for low-income energy assistance and \$18,000,000 for low-income energy efficiency from the Low-Income and Energy Efficiency Fund. The awards provide immediate assistance for heating needs as well as longer term assistance in reducing future heating costs for low-income and senior citizens. The Commission also awarded \$6,686,370 from the Low-Income and Energy Efficiency Fund for Michigan Energy Efficiency grants.

The Commission continued its consumer outreach efforts by hosting eight statewide consumer forums, making its Commission meetings available via podcast, handling 24,420 calls on its toll-free line, and assisting consumers and businesses with more than 7,317 electric and natural gas and 1,989 telecommunications complaints and inquiries. Also, the Commission's program to assist small businesses with regulated utility complaints processed 1,229 of these types of complaints.

The Commission issued 555 orders, consisting of 166 telecommunications, 303 electric, and 86 natural gas orders.

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

March 7, 2011

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Among the orders issued by the Commission during 2010 were approvals of the construction of eight new natural gas pipelines. Commission gas safety engineers issued 10 notices of non-compliance, responded to 56 incident reports, and conducted approximately 558 inspections.

The Commission also revised the retail natural gas rates of Consumers Energy Company and Michigan Consolidated Gas Company, and the retail electric rates of Consumers Energy Company, Wisconsin Electric Power Company, Indiana Michigan Power Company, and Upper Peninsula Power Company.

The Commission revised a number of its administrative rulemakings, including: Mergers and Acquisitions Standards, adoption of federal rules of accounts for major and non-major electric and gas utilities, governance of renewable energy plans and energy optimization plans, and Gas Safety Standards.

The Commission's work in the telecommunications area included a focus on intrastate access charge reform and the implementation of the Access Restructuring Mechanism fund. The Commission also approved 58 carriers as eligible telecommunications carriers to apply for federal Universal Service funding. Additionally, the Commission has had great success with the Connect Michigan program. In 2010 Connect Michigan, a partnership between the Commission and Connected Nation, released a statewide interactive map of broadband availability, released research documents related to Michigan residents' and businesses' use of broadband technology, and provided vital information on broadband availability for use in the National Broadband Map. The Commission under its authority under the Uniform Video Services Local Franchise Act processed 1,073 customer complaints and completed formal actions against two cable providers.

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,

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

2010 ANNUAL REPORT

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

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

March 7, 2011



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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 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.

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. 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 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 Response Collaborative effort between the Federal Energy Regulatory Commission (FERC) and the National Association of Regulatory Utility Commissioners (NARUC), and also serves as Co-Chair of NARUC's White House Smart Grid Working Group. 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. In addition, he 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.

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 6th 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 past President of the Mid America Regulatory Conference and serves on various panels and tasks forces focusing on economic development, regional markets, at-risk customers, and services for the hearing impaired. In October 2010, she was elected as President of the Organization of MISO States (OMS). She is also a member of the National Association of Regulatory Utility Commissioners (NARUC) and serves on the Consumer Affairs and the Telecommunications Committees and the Clean Coal and Utility Marketplace Access subcommittees.

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 of Arts in Economics and Political Science and a Master of 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 Commissioners' 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 Energy Resources and the Environment, the Committee on Critical Infrastructure, and the Subcommittee on Nuclear Issues – Waste Disposal (Vice Chair). In addition, Commissioner White sits on the Board of Directors of the Organization of PJM States, Inc., 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 of 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

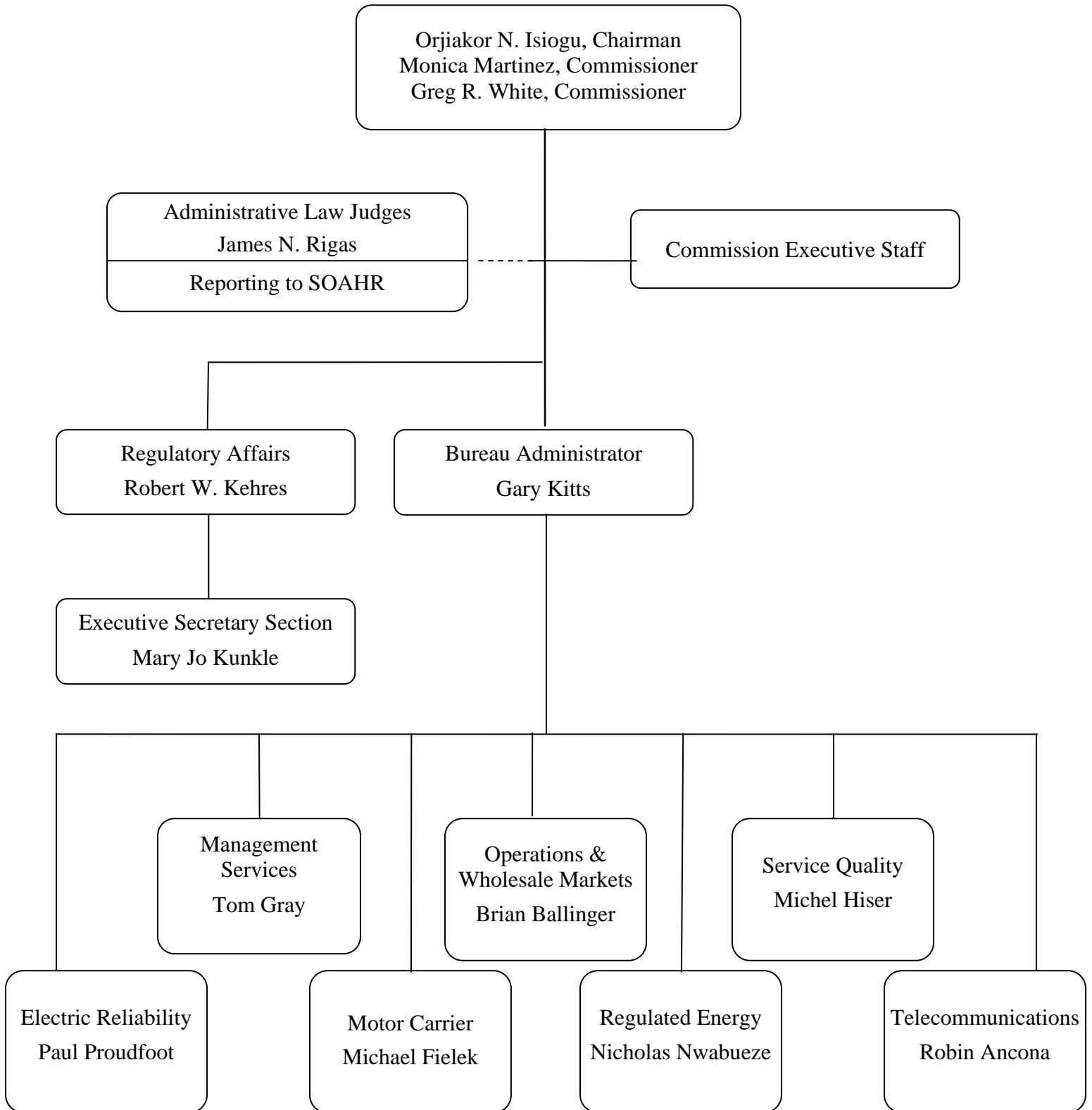
The Michigan Public Service Commission (MPSC or Commission) has a staff of 186, organized into eight Divisions: (1) Regulatory Affairs Division, which is primarily responsible for the drafting of Commission orders and administrative rules, and maintaining the Commission's files and official dockets; (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, 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 19.5 per million population compared to the national average of 27.4 and an average of 23.6 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 the Staff and the Commission, preparing and issuing official notices of hearing and notices of opportunity to comment, 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 555 orders in 2010, consisting of 166 telecommunications, 303 electric, and 86 natural gas orders. The Commission issued 19 minute actions, three of which pertained to Motor Carrier issues. In February 2009, the Commission issued a minute action delegating 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 8,835 official documents from applicants, complainants, respondents, intervenors, and other interested persons. This included documents resulting from 19 cases opened by Commission's Own Motion orders issued in 2010.

The Commission issued 187 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 also coordinated publication of seven notices of public hearings related to rulemaking proceedings.

Court reporters were scheduled for 333 Commission hearings.

The Commission provides notice of Commission's Own Motion orders through an automated electronic notification system for telecommunications, electric and natural gas industry officials, and interested parties. A total of 338 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

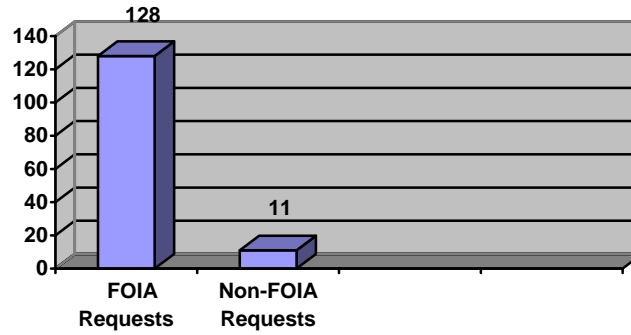
The Commission received 329 paperless electronic cases and posted 7,544 filings from utility companies, intervenors, Commission Staff, administrative law judges, the Attorney General, ratepayers, and court reporters electronically filed to the E-Docket site. This continues the Commission's efforts to improve document processing efficiencies. Parties to the cases, other interested persons, and the general public enjoy the convenience of 24-hour access to all electronic case records via the Internet. A total of 1,706 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. The Staff continues to work on refining custom reports and developing a new process to present data that will be made available to the public on the Commission's website.

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 139 information requests in 2010.



Michigan Public Service Commission Annual Report

On March 1, 2010, the Commission submitted its 2009 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

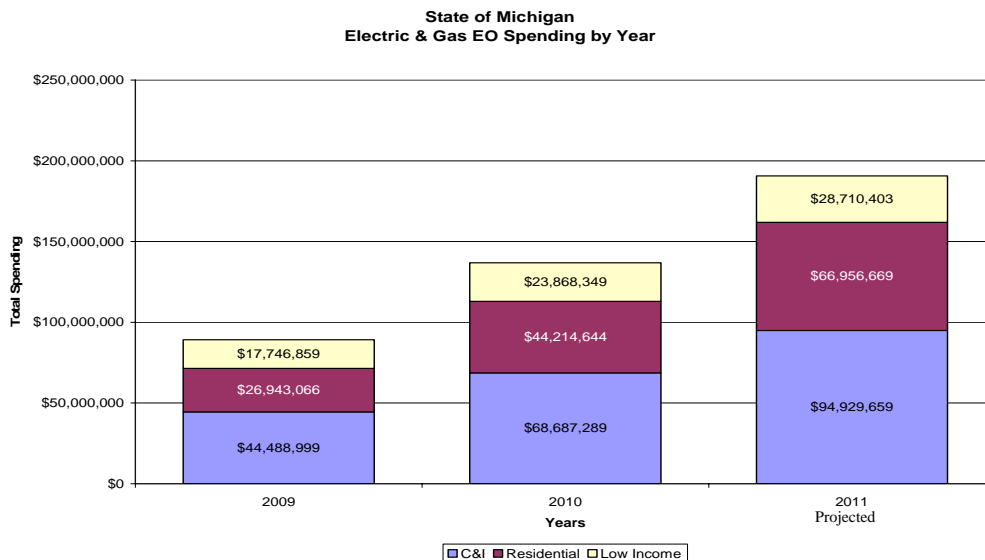
The Electric Reliability Division (ERD) is responsible for providing the Commission with technical assistance and recommendations on electric and gas providers' energy optimization and renewable energy plans; implementing net metering programs; participating in the Wind Energy Resource Zone (WERZ) Board; providing technical assistance to Michigan Department of Environmental Quality (MDEQ) on matters relating to the determination of electric generation alternative analyses; and review and issuance of Generation Certificates of Need (CON) for construction of new electric generation. ERD is also responsible for evaluating Energy Optimization (EO) and Renewable Energy (RE) reconciliation proceedings to ensure that 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 three sections: Energy Efficiency, Renewable Energy and Generation & Certificate of Need.

Number of Orders Issued by Type and Industry (2010)	
Energy Optimization Plans (Gas)	2
Energy Optimization Plans (Electric)	4
Renewable Energy Plans	5
Renewable Energy Contracts	10
Settlement of Renewable Energy Reconciliations	9
Energy Optimization Reconciliations (Electric)	7
Energy Optimization Reconciliations (Gas)	3
Compliance Report Timing	3
Comments of PA 295	2
Wind Resource Board Report	1
Net Metering	1
Total	47

Energy Efficiency Section

Energy Optimization Plans/Reconciliations/Annual Reports

The Energy Efficiency Section is responsible for assisting the Commission with the regulation of gas and electric companies in Michigan in regards to the requirements of Act 295. By April 1, 2009, 65 utilities filed EO plans with the Commission and in 2010, 65 utilities submitted Annual Reports for 2009, which were reviewed by the Staff. As a result of this review and analysis, the Staff compiled databases and spreadsheets summarizing the data. The Energy Efficiency Section Staff evaluated each company's reconciliation filing. There were seven companies that sent revised EO Plans to the Commission. The Energy Efficiency Section gathered information from the annual reports, reconciliation filings, and amended provider plans to determine aggregate spending, target and surcharge information for all of the utilities in Michigan. The Energy Efficiency Section met with utilities throughout the year to discuss and resolve various issues that arose from the reconciliation and annual report filings required by the Commission.



EO Collaborative

Commission Staff was also responsible for establishing and managing an **EO Collaborative**, as instructed in the Commission orders approving Consumers Energy Company (Consumers Energy) and The Detroit Edison Company's (Detroit Edison) EO plans in Case Nos. U-15805 and U-15806, respectively. The instructions were to "include all electric and gas providers subject to the Commission's jurisdiction under Act 295. In addition, energy efficiency experts, equipment installers, and other interested stakeholders should be encouraged to participate in the collaborative." The EO Collaborative is made up of three workgroups: Program Design and Implementation, Evaluation, and Low-Income. Each of the three workgroups met once a month throughout 2010. These groups then reported to the steering committee which is made up of Commission Staff and EO stakeholder experts. 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 was established in June 2009 by a grant from the Commission's Low-Income and Energy Efficiency Fund (LIEEF). This grant, awarded to Public Sector Consultants and the Delta Institute, sought to establish a new organization to design and launch an innovative financing program for energy efficiency and small-scale renewable energy technologies. The nonprofit organization, which is currently governed by 11 voting board members and a special

policy advisor appointed by the Commission, will become a fully independent organization when the Commission grant expires on September 30, 2011.

Efficiency United

Section 91 of Act 295 created an option for utilities to offer EO services through an EO program administrator selected by the Commission. A request for proposal to select the program administrator was prepared and the successful bidder was the Michigan Community Action Agency Association (MCAAA). Since the contract was awarded in August 2009, Staff has been meeting regularly with MCAAA and its partners to monitor progress and provide input during the design and implementation of the energy optimization programs delivered by the MCAAA. These programs, collectively now known as Efficiency United, were offered to the customers of the participating nine electric and four natural gas providers. Efficiency United programs began launching on November 30, 2009 and carried out through 2010. The current three-year contract with utilities which ends in 2011, is currently being renegotiated. Staff is working to develop the next three-year contract to run from 2012 through 2014. Staff has worked closely with MCAAA to ensure that services to utility customers would be similar to, and coordinated with, those of the other providers throughout the state.

Financial Incentive Mechanism

On September 29, 2009, the Commission approved financial incentive mechanisms for Detroit Edison (Case No. U-15806), Michigan Consolidated Gas Company (Mich Con) (Case No. U-15890) and Consumers Energy (Case Nos. U-15805 & U-15889). The Commission authorized a mechanism that it believed would incent utilities to pursue cost effective energy efficiency programs that significantly exceed the statutory minimum. For 2009, Consumers Energy, Detroit Edison, and Mich Con requested an incentive amount for exceeding their

minimum targets and exceeding the Utility System Resource Cost Test. The Energy Efficiency Section provided expert testimony and case coordination in the hearing that generated the mechanisms.

Revenue Decoupling

On and after November 2, 2009, and throughout 2010, the Commission approved revenue decoupling mechanisms (RDMs) for seven utilities. Of the approved mechanisms, four are electric utility RDMs: Consumers Energy (Electric), Detroit Edison, Upper Peninsula Power Company (UPPCo), and Indiana Michigan Power Company (I&M). Three RDMs are for gas utilities: Consumers Energy (Gas), Michigan Consolidated Gas, and Michigan Gas Utilities. The Energy Efficiency Section provided expert testimony and case coordination in the hearing process related to revenue decoupling.

Self-Directed EO Program

Under Act 295, certain customers may create and implement, or “self-direct,” a customized energy optimization plan and thus be exempt from paying the full EO surcharge to its utility provider. Originally, PA 295 self-directed customers were required to file reports every two years, however, with utility companies filing every year the self-directed customers’ information was not being properly reflected. Therefore, Staff worked to develop an amendment to Act 295 to require annual reports from self-directed customers, which was subsequently enacted.

Renewable Energy Section

Renewable Portfolio Standard

The RE Section is responsible for assisting the Commission with the implementation and oversight of electric providers’ renewable energy plans in accordance with Act 295, which

requires that each electric provider must achieve 10 percent renewable energy in its retail supply portfolio by 2015. During 2010, the Commission received the first set of Act 295 annual reports from electric providers. Based on the annual report data submitted, the Commission Staff determined that Michigan's statewide renewable energy estimate for 2009 is 3.6 percent. The first compliance year in which electric providers demonstrate interim progress toward the 10 percent renewable portfolio standard (RPS) is 2012.

Renewable Energy Contracts

During 2010, the Commission Staff reviewed and recommended approval of 18 RE contracts totaling over 600 MW of renewable energy. To encourage the development of renewable energy, the Commission completed its review and issued an order approving all of the contracts in approximately 30 days with the exception of one.¹

Renewable Energy Reconciliation Cases

Electric providers subject to rate regulation by the Commission are required to file annual RE reconciliation cases. During 2010, 14 electric providers filed renewable energy cost reconciliation cases.

Michigan Renewable Energy Certification System

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. During 2010, generators and electric providers began the process of establishing accounts within the system, the first electric generation data was loaded and renewable energy credits were created. MIRECS is being designed to fully integrate

¹The Consumers Energy Phase 1 Experimental Advanced Renewable Energy projects were in various stages of construction, and completion was not contingent on contract approval, therefore expedited approval was not necessary.

with other tracking systems including the Midwest Renewable Energy Tracking System (M-RETS) and North American Renewables Registry. The Staff continues to assist in implementation of MIRECS in preparation for the first compliance year in 2012.

Wind Energy Resource Zones

Section 147 of Act 295 states that the “Commission shall, through a final order designate the area of this state likely to be most productive of wind energy as the primary wind energy resource zone and may designate additional wind energy resource zones.” In making its determination, Act 295 requires the Commission to base its decision on the findings of the WERZ Board.

On January 27, 2010, the Commission issued its Order designating Region 4 (Thumb area) as the primary wind energy resource zone. The Commission also designated Region 1 (part of Allegan County) as an additional wind energy resource zone.

Act 295 also required the Commission to submit a report to the Legislature on the effect that setback requirements and noise limitations under local zoning or other ordinances may have on wind energy development. While developing this report, the Commission held public hearings in Lansing, Bad Axe, and Traverse City, and established a public comment period to receive comments.

The report was issued concurrent with the issuance of the order designating wind energy resource zones discussed above. The Commission recommended that decisions regarding appropriate setback distances and noise levels should remain under the province of local planning and zoning authorities. However, the Commission observed a clear need for the dissemination of current scientific information on this issue to decision-makers. The

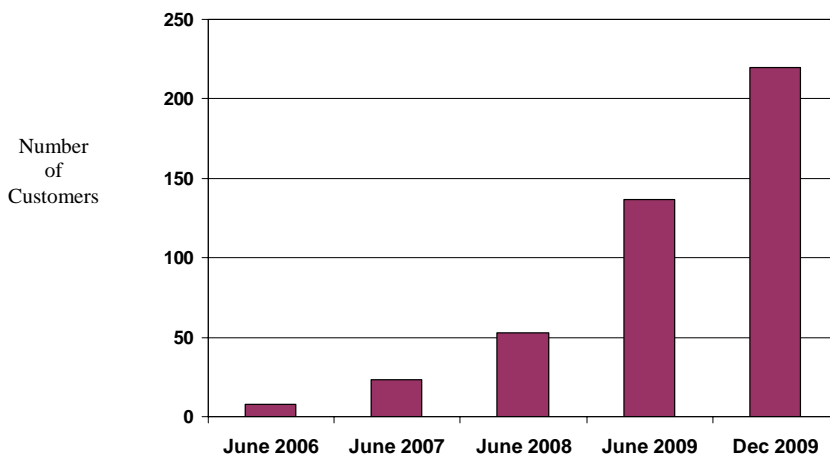
Commission directed an expansion of the role of the Wind Working Group to include sponsoring periodic meetings to provide information on health and wildlife matters.

During 2010, two technical working groups were established by the Chair of the Wind Working Group called Wind & Health and Wind & Wildlife. These technical working groups began meeting in 2010 to study scientific information with a goal of making recommendations for updating Michigan’s Sample Zoning for Wind Energy Systems.

Net Metering

The Commission continued implementing and monitoring the Act 295 net metering program. Utility net metering reports filed during 2010 continued to highlight the upward trend in program participation. By the end of 2009, there were more than 250 customers participating in the net metering program.

Growth Trend in Number of Net Metering Customers



In December, Michigan’s net metering program received a grade of “A” in the 2010 edition of [Freeing the Grid](#), a policy guide that grades states’ net metering programs. The grade is based on a number of program design factors including: treatment of net excess generation, rule coverage, and customer eligibility. The [Freeing the Grid](#) report is produced annually by the

Network for New Energy Choices in partnership with Vote Solar, the Interstate Renewable Energy Council and the North Carolina Solar Center.

Generation & Certificate of Need Section

Electric Generation Alternatives Analysis

On April 1, 2009, the Commission entered into a [Memorandum of Understanding](#) (MOU) with the MDEQ in which the Commission was tasked with providing technical assistance to the MDEQ in determining need and evaluating alternatives to the proposed Electric Generating Units (EGUs).

Pursuant to the MOU, the Commission has two tasks:

- Provide technical assistance to the MDEQ 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.

On April 7, 2009, the MDEQ notified both Consumers Energy and Wolverine Power Supply Cooperative, Inc., (Wolverine Power) of its intent to request an Electric Generation Alternatives Analysis (EGAA) to assist the MDEQ in responding to comments regarding the need to consider alternatives to the proposed coal-fired EGUs. The Commission subsequently issued an order in Case No. U-15958 to establish procedures for the Staff to conduct an alternatives analysis review and to provide other technical assistance to the MDEQ pursuant to the MOU between the Commission and the MDEQ related to proposed EGUs.

Certificate of Necessity

Public Act 286 of 2008 (Act 286) outlines new options for utilities to apply for a CON for the construction, investment in or purchase of electric generating facilities. Pursuant to Act

286, the Commission, on December 23, 2008, issued an order in Case No. U-15896, effectively adopting CON application instructions and IRP guidelines for utilities seeking a CON.

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 Power 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 and approved a settlement between Cherryland Electric Cooperative (Cherryland), Wolverine Power, and the Commission Staff. The settlement included construction of two 138 kilovolt lines and a transmission substation in Leelanau County. On January 11, 2010, Wolverine Power and Cherryland submitted a project completion report to the Commission.

Expedited Siting Certificate for Transmission as Outlined in PA 295 of 2008

Act 295 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 siting certificate as outlined in the act. The WERZ Board identified Region 4 (portions of Huron, Saginaw, Sanilac, and Tuscola counties) as having the area in the State with the highest wind potential with a minimum wind capability of 2,367 MW and a maximum wind capability of 4,236 MW. In a January 2010 order, the Commission designated Region 4 as the “primary wind energy resource zone.”

On August 30, 2010, *ITC Transmission* (ITC) submitted an application requesting an expedited siting certificate for a transmission line of approximately 140 miles to be placed in Region 4. The Staff has evaluated the application to ensure compliance with Section 151 of Act 295.

An application for an expedited siting certificate shall contain all of the following:

- Evidence that the proposed transmission line received any required approvals from the applicable regional transmission organization.
- The planned date for beginning construction of the proposed transmission line.
- A detailed description of the proposed transmission line, its route, and its expected configuration and use.
- Information addressing potential effects of the proposed transmission line on public health and safety.
- Information indicating that the proposed transmission line will comply with all applicable state and federal environmental standards, laws, and rules.
- A description and evaluation of 1 or more alternate transmission line routes and a statement of why the proposed route was selected.
- Other information reasonably required by commission rules.

ITC's application was treated as a contested case with analysis and review, discovery, testimony, briefs and all requirements of the court to be completed by the Staff within 180 days to allow for a Commission order granting or denying the application. The Commission shall grant ITC's application for an expedited siting certificate if it determines the following requirements are met:

- The proposed transmission line will facilitate transmission of electricity generated by wind energy conversion systems located in a wind energy resource zone.
- The proposed transmission has received federal approval.
- The proposed transmission line does not represent an unreasonable threat to the public convenience, health, and safety.
- The proposed transmission line will be of the appropriate capability to enable the wind potential of the wind energy resource zone to be realized.
- The proposed or alternate route to be authorized by the expedited siting certificate is feasible and reasonable.

After thorough review of the application, the Staff recommended to the Commission that ITC's application be granted. A final order was issued on the Commission by February 25, 2011 in [Case No. U-16200](#).

Regional Planning

Planning for both transmission and generation within the State of Michigan are evaluated in both local and regional contexts. To that end, Staff from ERD collaborates with Staff from the

Operations and Wholesale Markets Division (OWMD) to monitor, evaluate, and provide input to regional planning issues at the Midwest Independent Transmission System Operator (MISO) and the organization of MISO States. The Staff from ERD participated in the following regional planning initiatives:

- Eastern Wind Integration & Transmission Study
- MISO Supply Adequacy Workgroup
- MISO Loss of Load Expectation Workgroup
- Organization of MISO States Regional Planning Workgroup
- Organization of MISO States Resources Workgroup
- Organization of MISO States Cost Allocation and Regional Planning Initiative

Smart Grid

On November 1, 2009, the Commission was awarded the State Electric Regulators Assistance Grant funded through the US Department of Energy (DOE). A Limited-term staff were hired and funded for three years with an end date of January 30, 2013 to assist with Smart Grid activities in Michigan. A comprehensive final report is required by January 30, 2013, and will include:

- Overall progress of Smart Grid projects
- Up to date Smart Grid Cataloguing System and Smart Grid Tracking Process
- Future plans for Smart Grid monitoring at the Commission
- Results of work performed under the DOE ERA grant as well as future work to be performed at the Commission pertaining to Smart Grid

In November 2010, a permanent Smart Grid Section was created within the ERD. This group serves as a consolidation of several functions that previously had been performed by other sections within ERD. The primary responsibilities of this new group are to work with electric and gas companies to rectify and mitigate Smart Grid issues before contested cases, analyze and testify on smart grid components of rate cases as needed, and to handle any other Smart Grid related issues that may arise, and to administer the ARRA Smart Grid grant.

Fuel Mix & Emissions Data Report

Section 10(r) of Public Act 141 of 2000 requires electricity suppliers to disclose customer information related to the suppliers' fuel mix and emissions and requires electric suppliers use a regional average fuel mix and emissions data when the fuel mix cannot otherwise be determined, in conjunction with the regional electric generation fuel mix, emissions, and nuclear waste characteristics. In Case No. U-12487 in an order dated June 5, 2001, the Commission directed the Staff to calculate and make available the regional electricity generation and environmental characteristics to be used by all of Michigan's generation providers.

The Commission Staff is tasked with providing bi-annual updates of the regional generation characteristics. The update is available on the Commission's website.

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 (LIEEF) and the \$88.8 million per 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 website 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 LIEEF. On November 20, 2001, the Commission issued an order in Case No. U-13129, *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 and contracts 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.

In 2010, the Commission awarded 19 new grants totaling \$84,586,370 and two contracts totaling \$1,696,637. The Commission also awarded an additional \$1 million to the eight organizations previously awarded Low-Income Energy Assistance (LIEA) grants in September 2009, and an additional \$100,000 to Public Sector Consultants for use in its 2009 Michigan Energy Efficiency Grant to create a statewide, innovative energy efficiency and distributed renewable energy financing system called *Michigan Saves*.

LIEA grants, Low-Income Energy Efficiency (LIEE) grants, Michigan Energy Efficiency (MIEE) grants, and contracts for services were awarded from the LIEEF during 2010 as follows:

Low-Income Energy Assistance Grants

On March 18, 2010, the Commission issued an amendatory order in Case No. U-13129 awarding an additional \$1 million in LIEA grants to the 9 organizations awarded fiscal year 2010 grants in its order of September 15, 2009. The additional \$1 million was allocated based on the proportion of the \$55 million each organization received on September 15, 2009 as follows:

Organization		Additional Award
1	Department of Human Services	\$636,400
2	Downriver Community Conference	16,400
3	Inter-Tribal Council of Michigan, Inc.	2,700
4	Lighthouse Emergency Services	5,500
5	Michigan Community Action Agency Association	75,500
6	Newaygo County Community Services	54,500
7	Society of St. Vincent de Paul	9,100
8	The Heat and Warmth Fund	90,900
9	The Salvation Army	109,000
Total Additional Award		\$1,000,000

On August 30, 2010, the Commission issued an order in Case No. U-13129 awarding fiscal year 2011 LIEA grants to eight organizations totaling \$55 million to aid low-income customers confronted with energy shut-off and provide preventative programs to reduce the number of customers experiencing energy shut-off. On November 19, 2010, the Commission

issued an amendatory order in Case No. U-13129 awarding an additional \$3 million in LIEA grants to the same organizations. The additional \$3 million was allocated based on the proportion of the \$55 million each organization received on August 30, 2010. The following chart outlines the LIEA grants awarded on August 30, 2010 and the additional funding awarded on November 19, 2010:

	Organization	Original Award	Additional Award	Total
1	Department of Human Services	\$35,000,000	\$1,909,200	\$36,909,200
2	Downriver Community Conference	1,000,000	54,600	1,054,600
3	Lighthouse Emergency Services	300,000	16,500	316,500
4	Michigan Community Action Agency Association	3,000,000	163,500	3,163,500
5	Newaygo County Community Services	3,000,000	163,500	3,163,500
6	Society of St. Vincent de Paul	500,000	27,300	527,300
7	The Heat and Warmth Fund	6,000,000	327,300	6,327,300
8	The Salvation Army	6,200,000	338,100	6,538,100
		\$55,000,000	\$3,000,000	\$58,000,000

Low-Income Energy Efficiency Grants

On June 24, 2010, the Commission issued an order in Case No. U-13129 awarding a LIEE grant in the amount of \$1.9 million to the MCAAA to conduct one or more pilot demonstration projects addressing energy affordability within Michigan’s low-income residential customer class. The project combines energy efficiency services with innovative utility bill payment options. The project will test new and innovative approaches to ensure that low income households can continue to receive safe, reliable electric and natural gas services.

On August 30, 2010, the Commission issued an order in Case No. U-13129 awarding LIEE grants totaling \$18 million to six organizations to improve energy efficiency and reduce energy consumption of Michigan low-income residents.

Organization		Award
1	Department of Human Services	\$10,000,000
2	Michigan Community Action Agency Association	1,000,000
3	Michigan Saves, Inc.	5,000,000
4	Newaygo County Community Services	500,000
5	United Way for Southeastern Michigan	1,000,000
6	WARM Training Center	500,000
		\$18,000,000

Michigan Energy Efficiency Grants

On February 8, 2010, the Commission issued an order in Case No. U-13129 awarding MIEE grants totaling \$1,686,370 to two organizations for projects that will conduct testing and/or perform studies to explore the feasibility and advance the deployment of offshore wind technologies in Michigan and the Great Lakes over a three-year period. The projects will be closely aligned with the recommendations and findings of the Great Lakes Wind Council, and all project studies and test data will be available for public use at the end the grant term.

Organization		Award
1	Grand Valley State University – MAREC	\$1,336,370
2	Superior Watershed Partnership	350,000
		\$1,686,370

On November 19, 2010, the Commission issued an order in Case No. U-13129 awarding MIEE grants totaling \$5 million to two organizations to continue the implementation of programs developed by the organizations that design and facilitate the installation and operation of small scale, on-site energy systems using renewable energy sources as defined in MCL 460.10(g), and energy efficiency upgrades at multiple Michigan public and private K-12 schools, community colleges, junior colleges, and universities.

Organization		Award
1	Energy Works Michigan	\$4,400,000
2	Great Lakes Energy Service	600,000
		\$5,000,000

Contracts

On May 18, 2010, the Commission contracted with Neighborhood America, Inc., d/b/a INgage Networks, in the amount of \$1.2 million to develop social networking software and social production service in support of establishing *Michigan's Energy Efficiency Network*. *Michigan's Energy Efficiency Network* will be a sustainable communications model through which local government officials and staff, public and private sector energy efficiency practitioners, and interested citizens will communicate and collaborate to share experiences, establish policies and best practices, provide technical and administrative support, and enable regional cooperation in community-based energy efficiency and renewable energy programs in Michigan.

On September 14, 2010, the Commission entered into a contract with The Cadmus Group in the amount of \$496,637 to conduct a baseline energy study that will attain accurate and up-to-date information on the energy efficiency status of residential and commercial buildings in the Upper Peninsula and rural and out-state regions of the Lower Peninsula that are not part of the Consumers Energy and Detroit Edison/Mich Con territories. The data collected as a part of this project will complete a statewide study and bring together all data in one energy efficiency baseline report that will be accessible statewide and used by state agencies, utilities, non-profit agencies, counties, cities, and townships when implementing energy efficiency and energy conservation programs.

Funding

On June 3, 2010, the Commission issued an order in Case No. U-15985 that authorized Mich Con to provide \$5,069,000 annually to LIEEF. Including the funding provided by Mich Con, the LIEEF total annual revenue is approximately \$88,890,000. This figure is derived from contributions from the following sources:

Company	Case No.	Amount
The Detroit Edison Company (electric)	U-13808	\$39,858,000
Consumers Energy Company (electric)	U-14347	26,536,000
Consumers Energy Company (gas)	U-14547	17,427,000
Michigan Consolidated Gas Company (gas)	U-15985	5,069,000
		\$88,890,000

Reporting

In compliance with 2009 PA 130, the Commission's Annual Report on the LIEEF was prepared and submitted to the State Budget Office, Fiscal Agencies, and Legislative Subcommittees on October 29, 2010.

Energy Data & Security Section

Energy 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 as part of its responsibility for Michigan's energy emergency preparedness. During 2010, the Staff began work on the Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency project, a grant administered by the DOE and funded through the ARRA. The grant provides funding through August 2012 and primarily aims to update and exercise energy emergency (assurance) plans and assist states in workforce development and training. New and existing Commission Staff have undergone emergency response training, conducted site visits to

critical infrastructure sites, and participated in expanded outreach with private sector energy representatives.

In August 2010, the section's energy supply monitoring activities were expanded and documented to become the Energy Supply Disruption Tracking Process (ESDTP). The ESDTP was one of the deliverables for the grant and is used on a daily basis to maintain a situational awareness of energy markets and contains measures to ramp up monitoring and data analysis as events arise.

As part of its energy emergency preparedness responsibilities, the Staff participated in a number of emergency exercises involving disaster response, nuclear plant drills, and responding to energy emergencies. In September 2010, the Commission's Emergency Response Team participated in and hosted an "ARCLIGHT" table-top exercise based on a winter storm scenario and subsequent power outage.

In addition to these drills, actual response was made by the Staff this year for two petroleum incidents. On May 29, 2010, a BP 12-inch petroleum product pipeline suffered a break near Constantine, Michigan, and on July 10, 2010, the 30-inch Enbridge Lakehead 6B pipeline suffered a break near Kalamazoo. In both incidents, the Staff monitored the situations, assessed energy market conditions, maintained contact with the petroleum industry, and provided updates to the Commissioners, the Department of Energy, Labor & Economic Growth Emergency Management Coordinator and the Michigan State Police (MSP) as needed.

Critical Infrastructure

One goal of the Commission's mission statement is to "[a]ssure the security of the state's critical infrastructure by promoting homeland security." This goal is being pursued by the Commission as part of the state's overall homeland security strategy through work with the

private sector and other state and local agencies to find ways to improve protective measures and build greater resiliency within the state's critical energy and telecommunications infrastructure.

The Commission Staff continued to participate on the Michigan Infrastructure Coordination Committee (MICC) and the Energy Sector Committee of the MICC. Staff from the Commission and Consumers Energy co-chair the Energy Sector Committee, with support from the MSP, Emergency Management and Homeland Security Division. The Energy Sector Committee continues to be the focal point for public/private sector partnerships in Michigan.

For 2010, the Energy Critical Infrastructure Protection Program at the Commission is working with MSP to collect information from the owners and operators of critical infrastructure sites in the petroleum, natural gas, and electric industries. An assessment of the risks associated with natural disasters and acts of sabotage is being used to prioritize investment opportunities directed at designing industry-wide initiatives that achieve the greatest amount of risk reduction at the least cost. Information is also being collected on the industry's capability to protect, respond, and recover from an emergency event, in part, to assess newer initiatives in business continuity and cyber-security.

The Department of Homeland Security's Protection of Critical Infrastructure Information (PCII) policies and procedures are being implemented within the Commission in order to assure industry that sensitive information will remain secure. All members of the Commission's Emergency Response Team will undertake PCII certification and a limited number of individuals will be trained on sensitive information regarding critical infrastructure sites. The Commission, as a liaison with the energy industry, is supporting MSP's initiative to enter site-specific information into the federal Automated Critical Asset Management System (ACAMS), which is made available to local first responders in the event of an emergency.

Energy Monitoring

The Commission issues a short-term energy forecast of supply and demand each spring and fall. The semi-annual Energy Appraisal Report focuses on factors and market trends that impact price, supply, and availability. During the winter months, the Commission conducts a weekly [survey](#) of residential heating oil and propane prices. Although the Commission does not regulate heating oil and propane prices, it does monitor these energy markets under a grant from the Energy Information Administration and as part of its duties to monitor the state's overall energy supply.

With a renewed public interest in energy matters, the Commission responded to a number of inquiries for data on Michigan's energy use, supply, and prices throughout 2010. The Staff is also updating the [Michigan Energy Overview](#) which provides a detailed breakdown of energy use in Michigan over the last 45 years. This report provides a comprehensive overview of energy use in Michigan and shows energy use by the residential, commercial, industrial, and transportation sectors, including how much is spent on energy by sector and fuel.

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 2010, the Commission received 292 applications for original operating authority. In addition, 27 applications for transfer to new ownership, 16 changes of operating name, 42 temporary and 40 permanent discontinuances of authority, and 12 reinstatements of authority from discontinuance were processed. The Commission also granted 196 requests for temporary operating authority.

The annual renewal of active and temporarily discontinued intrastate operating authorities was initiated in October 2010 with the mailing of 1,591 renewal forms. As of December 31, 2010, more than 5,100 Commission decals were issued for 2011.

Insurance Filings

Each motor carrier applying for intrastate authority is required to submit proof of commercial public liability/property damage (PL/PD) insurance. Over 2,400 PL/PD policies were received and processed in 2010.

Decals

Intrastate carriers are required to register power units that are utilized in their authorized operations. Intrastate decal sales generated \$546,721.00 in 2010.

Safety and Compliance

The Commission reviewed 289 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 2010, 30 amendments and additions to tariff filings were submitted for Commission approval. In addition, 45 new applications for household goods authority were processed. Also, Motor Carrier Staff processed 18 informal complaints and worked closely with the Michigan State Police Traffic Safety Division (MSPTSD) to conduct investigations regarding unlawful household goods operations.

On November 9, 2010, the Michigan Movers Association (MMA) filed an application in which it proposed an increase in its rate for intrastate shipment of household goods by 6 percent, effective December 23, 2010. A prehearing conference was held December 13, 2010, at which time the MMA decided to withdraw the application and re-file in 2011. On December 15, 2010, the MMA filed its request to withdraw the application.

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” is included in this public law and sets

forth various changes to Title 49 United States Code relating to regulation of motor carrier activities. SAFETEA-LU requires that, 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, and exempt carriers operating in interstate commerce, as well as the registration of interstate brokers, freight forwarders, and leasing companies in both Michigan and the Province of Ontario. In 2010, Michigan collected or received a total of \$5,046,059 from the UCR program. This amount represents portions of five calendar renewal years: 2007, 2008, 2009, 2010 and 2011. 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.

Intrastate U.S. Department of Transportation Numbering Program

As of June 1, 2009, the Motor Carrier Division began issuing U.S. Department of Transportation (USDOT) numbers for intrastate carriers with vehicles over 10,000 pounds Gross Vehicle Weight Rating. 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 2010, the Motor Carrier Division answered 6,939 calls and issued 3,853 USDOT numbers.

Water Ferry Regulation

There were no major regulatory actions concerning water ferry regulation in 2010. The Staff continues to monitor ferry activity, conduct audits as needed, and provide information regarding customer concerns or complaints that may occur.

Other Activities

Staff conducted presentations to provide understanding of Commission regulation of motor carrier safety fitness and Michigan intrastate household goods tariffs. Also, Staff chaired six Motor Carrier Advisory Board meetings in 2010.

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 customers are provided quality energy service, in a safe, reliable, and efficient manner, while enhancing Michigan's competitive economic environment. Three sections comprise the OWMD: Electric Operations, Gas Operations, and Energy Markets.

The most important function of the Electric Operations Section is to monitor 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 Gas Operations Section's responsibilities include oversight of the distribution, production, transmission and underground storage of natural gas in the State of Michigan; review of applications of natural gas companies 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 USDOT regulations under the Title 49 of the United States Code Part 192.

The Energy Markets Section is responsible for recommending federal and regional electric and natural gas technical and policy issues to the Commission for action in federal agency proceedings and regional transmission operator (RTO) stakeholder processes. The chart below highlights Commission orders issued from cases originated in the OWMD in 2010.

MPSC Orders - OWMD (2010)	
Act 238 Gas Storage	1
Gas Pipeline Construction Requests (Act 9)	8
Hazardous Liquid Pipeline Construction Requests (Act 16)	1
Meter testing for Electric	1
Pole Attachment for Electric	1
Total	12

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 2010, 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.

MISO 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. However, the Michigan Electric Coordinated Systems Local Balancing Authority is responsible for implementation of procedures in response to MISO directives. MISO issued one Maximum Generation Alert and 15 Minimum Generation Alerts for all capacity resources that would be deliverable into the warning area.

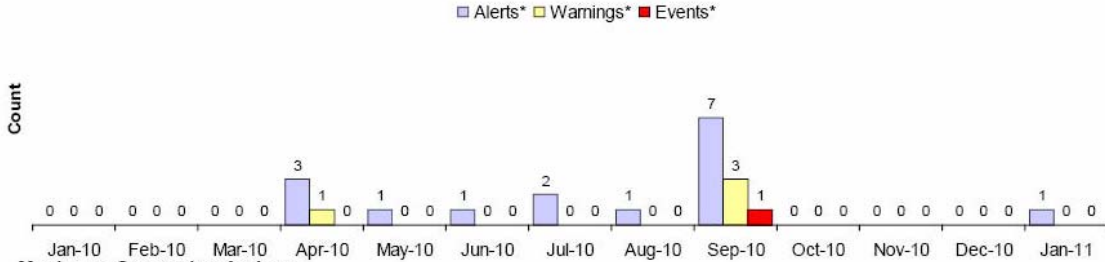
MISO takes the lead under its emergency procedures when electric supply is short, such as during peak usage times. The western portion of MISO, which includes the Upper Peninsula of Michigan, experienced generation outages and transmission constraints on the system in December 2010. In December 2010, curtailments were made to mines served by Wisconsin Electric Power Company's (WEPCo) system. Wisconsin Power and UPPCo system operations experienced outages to residential customers in the Ishpeming area.

In contrast to Maximum Generation Alerts that may be issued in shortage situations during peak usage times, MISO issues Minimum Generation Alerts during low usage periods when there is a surplus of generation running at their minimum generation levels. 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. Staff will continue to monitor the MISO market for reliability issues that may impact the Michigan system.

Minimum and Maximum Generation Activities

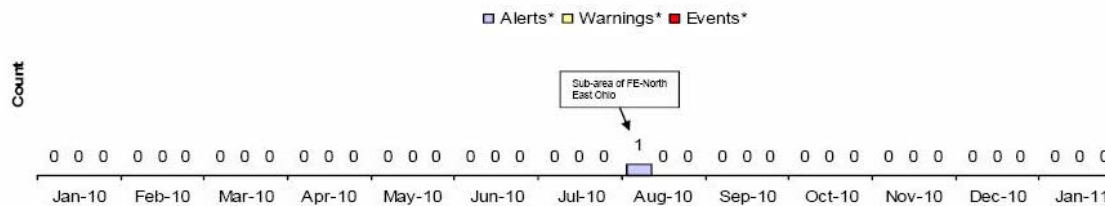
Minimum Generation Actions

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



Source: Midwest ISO Real-Time Operations Department 42

Staff continued to monitor distribution circuit reliability in 2010. Overall, the number of complaints that the Commission received from Michigan customers regarding frequent and repetitive outages was down 22 percent for 2010, as compared to the same time period in 2009. Commission Staff also monitors the distribution circuit reliability, tree-trimming programs, pole-top maintenance programs, and the focused reliability programs of the electric utilities, which have a direct impact on improving reliability and reducing outages.

In 2010, Michigan experienced more than its usual share of storms causing outages. Consumers Energy and Detroit Edison each reported seven storms with more than 50,000 outages, two of which caused each utility to have more than 100,000 outages. In addition to our largest utilities, some of the smaller utilities had storms with more than five percent of their customers with outages. On June 22 and 23, Indiana Michigan’s service territory had 9,873

outages and on October 26 and 27, a storm crossed the Upper Peninsula and the Cloverland Electric Cooperative, UPPCo, and Wisconsin Power utilities reported significant outages of just over five percent of their customers. Michigan utilities each have a storm response plan and most outages are restored within 16 hours, but larger storms can cause outages lasting up to five days. The utilities will call in additional workers from utilities outside the state, if the outages are extremely high in number.

On October 6, 2010, the Electric Operations Staff prepared and submitted a status of power quality report entitled “[The Advisability of Separating Generation and Distribution within Electric Utilities in Michigan](#)” to the Legislature, as required by MCL 460.10r(6).

In 2010, the Staff investigated two specific areas with reliability concerns, the windstorms which caused multiple outages and fires in the City of Detroit on the night of September 7, 2010, and the outage problems in the Big Lake area. The investigation for the Big Lake area was completed and the report will be released in early 2011. After the Staff began its investigation, Detroit Edison initiated its own investigation and is working with individual homeowners to assess damages that may have been caused by Detroit Edison’s electric system and make restitution where necessary.

The September 7, 2010 windstorm investigation examined how the storm may have affected Detroit Edison's distribution system, how the utility responded, whether there was evidence of a failure on the part of Detroit Edison to properly maintain its distribution system in Detroit, whether the utility was properly prepared to receive and respond to customer calls to report outages, whether the utility sufficiently addressed public safety concerns associated with down power lines in a timely manner, and recommended changes to be implemented to reduce response times to down power line, vegetation management by other parties using Detroit

Edison's poles, and improve communication with the city of Detroit and its residents. The report noted that the root cause of the fires has not yet been determined by the Detroit Fire Department. Despite this, the Commission Staff was able to thoroughly investigate Detroit Edison's response to the windstorm. The [Staff's report](#) found that the evidence presented does not indicate neglect on the part of Detroit Edison in the events that occurred. Detroit Edison responded to the report. The Staff is reviewing the response and will decide if any more action is warranted.

Gas Operations Section

The Gas Operations Section acts as the liaison with the Federal pipeline safety officials, enforces gas safety standards, other gas and petroleum safety inspections, liaison with Natural 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 238 of 1923). The Gas Operations Section also issues standard well connection permits and tracks monthly natural gas production volumes. On October 26, 2010, the Commission issued an order in Case No. U-16295 formally adopting Administrative Rules that revise rules governing gas pipeline safety and incorporate 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 USDOT requirements. The Commission investigated all jurisdictional incidents that met the USDOT requirements. The safety program maintained its federal certification following receipt of a favorable review by the USDOT. In 2010, the gas safety engineers issued 10 notices of non-compliance, responded to 56 telephonic incident reports, and conducted an estimated 558 inspections.

Pipelines and Storage Fields

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

Enbridge Oil Spill

Enbridge Energy Partners, LP, (Enbridge) headquartered in Houston, Texas, is the owner of Line 6B that ruptured in Marshall, Michigan, on July 26, 2010, spilling as much as one million gallons of crude oil into a tributary of the Kalamazoo River. Line 6B runs through Michigan from Griffith, Indiana, to Sarnia, Ontario. Enbridge is also owner of Line 5 that runs through both the Upper and Lower Peninsulas of Michigan from Superior, Wisconsin, to Sarnia, Ontario. Line 6B is a 30-inch crude oil line that was built in 1969 and Line 5 is a 30-inch crude oil line that was built in 1953 – both are part of the 1,900 mile Lakehead System. Enbridge continues to review anomalies detected along Line 6B as a result of their ongoing integrity management program. Such anomalies include the dent reported in a section of Line 6B that runs under the St. Clair River. Enbridge plans to replace the current line that runs under the St. Clair River with a new line in early 2011.

Natural Gas Production and Permitting

In 2010, the Commission issued 55 gas well connection permits, with the majority of those permits (50) issued to wells in the Antrim shale formation. The Antrim shale formation is

a shallow gas producing reservoir which produces across the northern part of the Lower Peninsula of Michigan. Other predominant natural gas producing formations in Michigan are the Prairie du Chien, a deep sandstone reservoir in the central part of the Lower Peninsula, and the Niagaran reef formation which occurs in two trends of reefs in the Lower Peninsula. Dry gas refers to natural gas produced primarily from the Niagaran reef formation. Casinghead gas production refers to the gas production that is associated with oil wells. There is no gas or oil production in the Upper Peninsula. The total gas production in 2010 is estimated to be 140 Bcf compared to 148 Bcf for 2009. Antrim gas wells provide approximately 86 percent of this amount. 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 2010 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 2010 due to decline in energy prices.

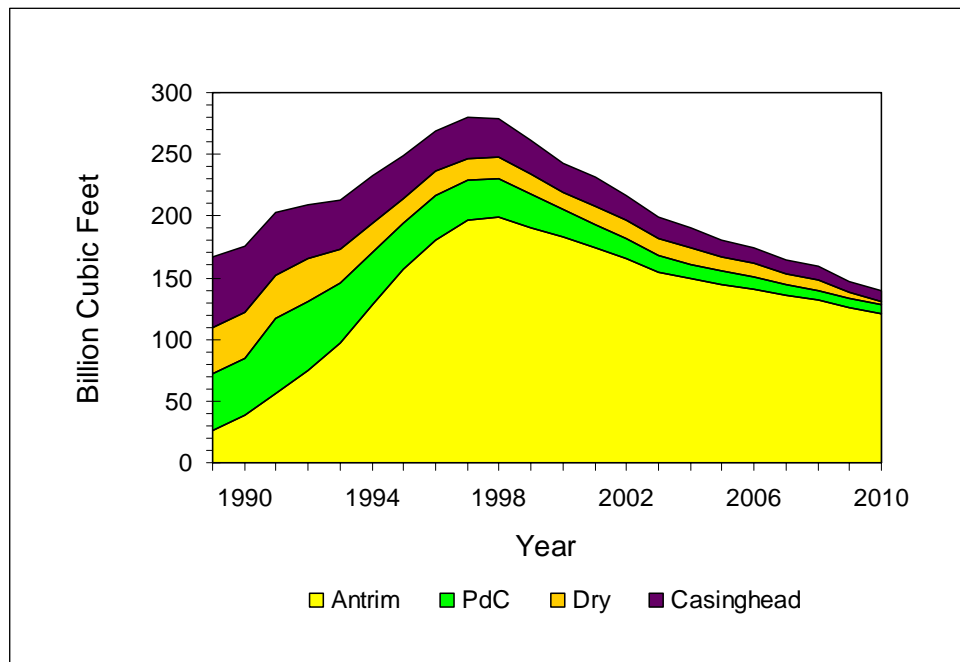


Figure 1: Gas Production Volumes by Michigan's Gas Producing Formations

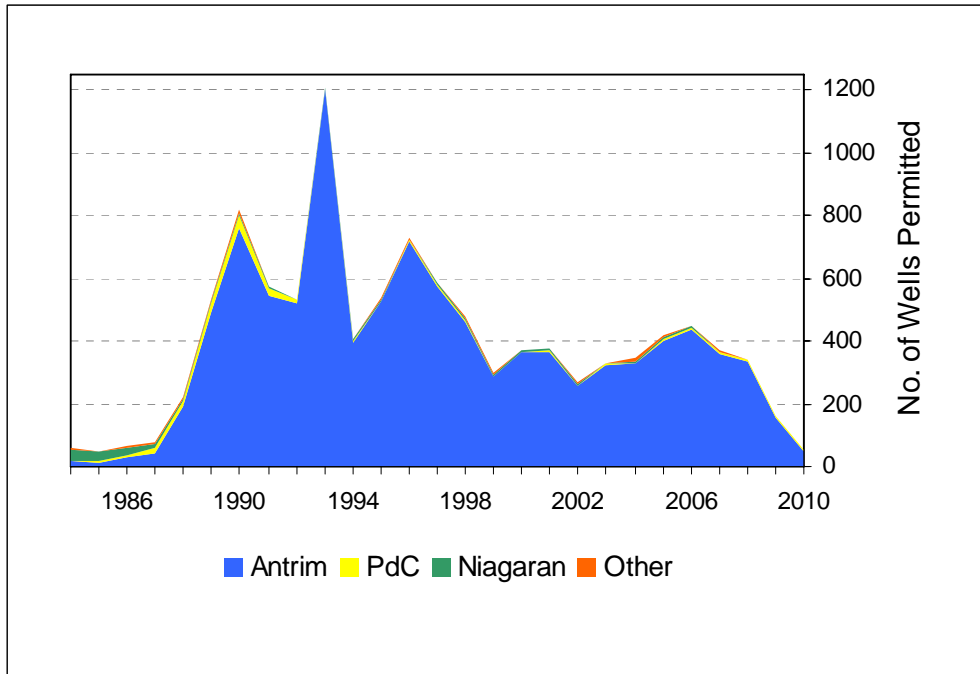


Figure 2: Permits Issued by Michigan’s Gas Producing Formations

Energy Markets Section

The Energy Markets Section is responsible for 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 DOE, the Federal Energy Regulatory Commission (FERC), and other federal agency or court proceedings. The section actively participates and provides staff leadership in work groups involving the MISO and PJM Interconnection and the parallel regional state committees on national and regional electricity issues. They also provided technical staff support for the Commissioners’ involvement in national and regional forums.

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 the 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 regional transmission organizations (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 I&M, 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 MISO, the Organization of MISO 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 assist 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 2010, Commissioner Monica Martinez was an officer of the OMS Board of Directors. In 2011, she will serve as the President of OMS. In 2011, Commissioner Greg R. White continues his work as a member of the OPSI Board of Directors.

In 2010, the Energy Markets Section assisted the Commission's active participation in 17 FERC dockets on its own initiative or in conjunction with OMS or OPSI. The Commission, on its own initiative, participated in FERC electric proceedings on Schedule 1 revenue distribution (ER11-2350), phase-angle regulator transformers cost sharing (ER11-1844), transmission cost allocation (RM10-23 and ER10-1791), MISO multi-value projects, MISO ancillary service market zonal cost allocation (ER10-1361), Southwest Power Pool cost allocation (ER10-1069), compensation in wholesale electricity markets (RM10-17), RTO performance metrics (AD10-5) and credit reform in organized wholesale electricity markets (RM10-13).

Through its participation in OMS, the Energy Markets Section has worked on the FERC's electric transmission cost allocation notice of proposed rule marketing (NOPR) (RM10-23), MISO's transmission cost allocation for multi-value projects (ER10-1791), zonal cost allocation for ancillary services (ER10-1361), Southwest Power Pool's cost allocation (ER10-1069-000), compensation for aggregators of retail customers (RM10-17), credit reform NOPR (RM10-13), and RTO metrics (AD10-5).

Through participation in OPSI, the Commission has worked on FirstEnergy companies' proposal to move from MISO to PJM. The Commission also worked on letters from the OPSI Board of Directors to the PJM Board of managers regarding compliance with FERC Order 719 and participated with the PJM Board and market monitor on monitoring PJM's markets.

On October 6, 2010, the Energy Operations Section prepared a report for the Governor and the Legislature entitled "[Advisability of a Purchasing Power Pool.](#)" The report provides the Commission's findings on the merits of creating a Michigan purchase power pool.

Other section priorities include helping to develop and participate in implementing joint open regional and extra-regional electric transmission planning, and cost allocation

methodologies for transmission facilities. The Energy Markets Section looks to prevent undue discrimination and preference 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 participates in the Eastern Interconnection Planning Collaborative, and States Planning Council which is coordinating transmission planning activities in the eastern half of the U.S. The section also continues 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 prices for Michigan's citizens and businesses. RED is responsible for regulatory oversight of the Commission-regulated energy utilities in the State, including recommendations of appropriate utility rates. The division administers the Commission's Gas Cost Recovery (GCR) and Electric Power Supply Cost Recovery Programs (PSCR), Uniform System of Accounts (USOA), 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, those being 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

The Commission issued seven rate orders in 2010 that approved rate changes for Detroit Edison, Mich Con, Consumers Energy Gas, Consumers Energy Electric, WEPCo, UPPCo and I&M. In addition to the seven rate orders that have been approved, there are three rate cases still being processed for SEMCO Energy Gas Company (SEMCO), Consumers Energy Gas, and Detroit Edison. There was also one rate case filed by Mich Con that was withdrawn at the request of the company; the request to withdraw was approved by the Commission on December 13, 2010. The following table provides a summary of the approved rate orders, as well as those being processed.

Summary of Requested and Approved Amounts

Utility Name	Case Number	Order Date	Requested Increase	Approved Increase
Detroit Edison	U-15768	1/11/2010	\$378 million	\$217 million
Mich Con Gas	U-15985	6/3/2010	\$192.6 million	\$118.5 million
Consumers Energy (g)	U-15986	5/17/2010	\$114.4 million	\$65.9 million
Consumers Energy (e)	U-16191	11/4/2010	\$178 million	\$145.7 million
WEPCo	U-15981	7/1/2010	\$42.1 million	\$23.3 million
Indiana Michigan	U-16180	10/14/2010	\$62.5 million	\$35.7 million
UPPCo	U-16166	12/21/2010	\$15.4 million	\$8.9 million
SEMCo	U-16169	Hearing Scheduled	\$19.8 million	n/a
Mich Con Gas	U-16400	Request to Withdraw Approved	n/a	n/a
Consumers Energy (g)	U-16418	Being Processed	\$55.3 million	n/a
Detroit Edison	U-16472	Being Processed	\$442.7 million	n/a
Totals	-----	Total Requested & Approved Increases	\$1500.80 million	\$615 million

* All Cases and accompanying information in the table above reflect Commission action concluded by 12/31/2010.

Monthly Residential Bill Impacts

Utility Name	Case Number	SI Increase over Pre-SI	Order Change from SI	Order Increase over Pre-SI
Indiana Michigan (St. Joe)	U-16180	\$8.75 (23.06%)	\$-0.31 (-0.67%)	\$8.43 (22.23%)
Indiana Michigan (Three Rivers)	U-16180	\$9.11 (23.06%)	\$-2.27 (-4.66%)	\$6.85 (17.33%)
Mich Con Gas	U-15985	\$10.18 (10.34%)	\$-2.01 (-1.85%)	\$8.17 (8.31%)
Consumers Energy (g)	U-15986	\$4.26 (4.23%)	\$0.21 (0.20%)	\$4.47 (4.44%)
WEPCo	U-15981	\$4.65 (7.00%)	\$6.36 (8.95%)	\$11.02 (16.57%)
Consumers Energy (e)	U-16191	\$3.67 (6.59%)	\$0.56 (0.93%)	\$4.32 (7.58%)
UPPCo (Iron River)	U-16166	n/a	\$13.42 (18.00%)	\$13.42 (18.00%)
UPPCo (Interconnected)	U-16166	n/a	\$9.54 (11.07%)	\$9.54 (11.07%)

* SI is used as an abbreviation for Self-Implementation in the table above.

Self-Implementation Refunds

During 2010, the Commission opened five self-implementation refund proceedings and concluded three of them in accordance with Act 286, which provides for refunds of overcollected revenue that occurred due to rate self-implementation. The three concluded cases resulted in the following refunds.

Utility Name	Case No.	Order Date	Refund	“Avg” Res Credit
Consumers Energy (e)	U-15645	Aug 10, 2010	\$15,722,954	\$6.90 *
Detroit Edison	U-16384	Dec 21, 2010	\$26,872,231	\$6.08
Consumers Energy (g)	U-16441	Dec 21, 2010	\$10,716,000	\$4.73

* The \$6.90 credit includes the effect of an additional \$2,188,533 refund to residential customers related to the sales of the Consumers Palisades plant.

TIER Cases

During 2010, the Commission opened seven proceedings under the times interest earned ratio (TIER) mechanism for rural electric cooperatives and concluded seven of them, as well as one other from 2009. The TIER mechanism determines the need to change rates and is used by all Michigan rural electric cooperatives under Commission rate jurisdiction. As seen in the table below, five of the seven concluded TIER cases increased rates.

Co-op Name	Case No.	Order Date	Approved Increase	Avg Res Mntly bill Incrs
Presque Isle-Electric	U-15672-R	Sep 14, 2010	\$904,141	\$2.93
Great Lakes	U-15671-R	Aug 30, 2010	\$4,107,088	\$1.23
Cloverland	U-15666-R	Sep 28, 2010	\$1,383,398	\$3.02
Midwest	U-15667-R	Sep 14, 2010	\$1,485,385	\$3.29
Thumb	U-15669-R	Sep 14, 2010	\$411,321	\$2.10

Power Supply Cost Recovery Program—Reconciliation Cases

During 2010, the Commission opened 14 electric PSCR reconciliation proceedings and concluded 10 of them, as well as 3 others from 2009, in accordance with 1982 Public Act 304 (Act 304).

Gas Cost Recovery Program—Reconciliation Cases

During 2010, the Commission opened eight GCR reconciliation proceedings, concluded one of them, and also finalized six others that were outstanding from 2009 in accordance with 1982 Public Act 304 (Act 304). In addition, the Commission opened one Steam Supply Cost Recovery (SSCR) reconciliation in 2010 and concluded a similar case from 2009.

Miscellaneous Cases and Events

The Commission opened and/or concluded various expense tracker mechanisms related to uncollectible expense, electric restructuring implementation costs, restoration expense, line clearance expense, regulatory asset recovery, and enhanced security costs.

Accounting Requests

The Commission ordered a request for deferral accounting involving UPPCo in Case No. U-16208 on July 27, 2010. The Commission is also currently processing Case No. U-16489 involving Detroit Edison, which is a request for accounting deferral of other post-employment benefits expenses.

Commission Action

Commission action to adopt the FERC USOA for electric utilities was ordered in Case No. U-14811 on April 27, 2010. Commission action to adopt the FERC USOA for gas utilities was ordered in Case No. U-14812 on April 27, 2010.

Depreciation Cases

The Commission opened six depreciation proceedings during 2010 and issued final orders in three of them. The Commission issued depreciation orders for Mich Con in Case No. U-15699 on March 18, 2010, WEPCo in Case No. U-16231 on April 12, 2010, and Wisconsin Public Service Corporation in Case No. U-16269 on November 4, 2010. Depreciation

orders are currently being processed for Consumers Energy Electric under U-16054, Detroit Edison under Case No. U-16117 and Consumers Energy/Detroit Edison Ludington Pump Storage under Case No. U-16055.

Act 304 Recovery Programs

Gas Cost Recovery Program—Plan Cases

The Commission conducted nine natural gas plan cases, including eight GCR plans for the 2010-2011 plan year and one GCR plan for the 2009-2010 plan year in accordance with Act 304. In addition, seven GCR plans for the 2011-2012 year were filed in December 2010. Monthly updates of the GCR factors for each regulated natural gas utility are available on the Commission's website.

Power Supply Cost Recovery Program—Plan Cases

The Commission conducted 32 electric plan cases, including two PSCR plans for 2009, 16 PSCR plans for 2010 and 14 PSCR plans for 2011, 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 website.

Steam Cost Recovery Program—Plan Cases

The Commission conducted one SSCR plan case during 2010 for the period April 1, 2010 to March 31, 2011 related to 2008 PA 132, MCL 460.6r, *et seq.*

Customer Choice Programs

Electric Customer Choice

The Commission responded to seven complaints and inquiries on electric customer choice issues during 2010. The overall number of electric choice program customers and MW

increased in 2010. A total of 7,470 commercial and industrial customers were enrolled in Detroit Edison's and Consumers Energy's electric choice programs during the year. Statewide, alternative electric suppliers (AES) served a total of 2,043 MW.

There are currently 23 AESs total, with 16 suppliers actively serving customers. The Commission rescinded three AES licenses that were issued to Royal Bank of Scotland, American PowerNet Management, L.P., and CMS Resource Management Company. These licenses were rescinded at the request of each respective AES. The Commission also issued two new AES licenses to Geary Energy, LLC, and DPL Energy Resources, Inc. In Case No. U-11915, the order dated March 2, 2010, the AES application form was updated.

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 807 complaints and inquiries with respect to natural gas customer choice in 2010. The number of customers participating in natural gas choice throughout the state totaled 445,071 in 2010. Alternative gas suppliers (AGS) served roughly 78.275 Bcf of annualized natural gas sales in 2010.

There are currently 21 AGSs total, with 20 suppliers actively serving customers. The Commission issued three new AGS licenses to Glacial Natural Gas, Inc., Bishop Energy Services and Integrys Energy Services-Natural Gas, LLC, during 2010. The Commission also rescinded two AGS licenses that were issued to Proliance Energy, LLC, and Presque Isle Electric & Gas Co-op. These AGS licenses were relinquished at the request of each respective AGS.

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, providing 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 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 website, fax, 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 the 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.

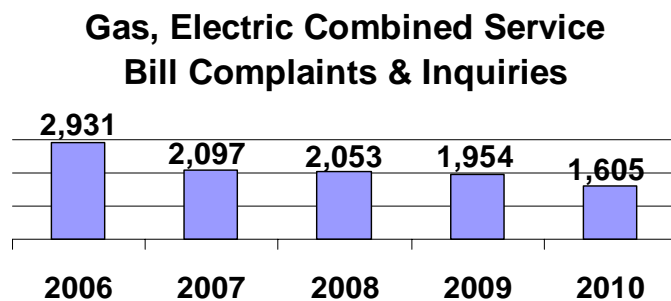
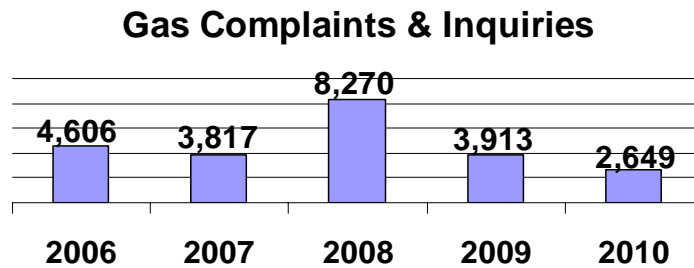
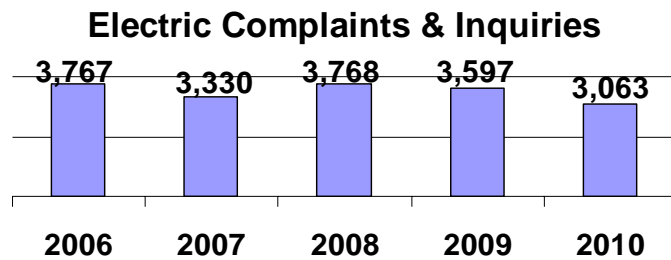
SQD Staff continue to incorporate new strategies to improve the call answer response time. During 2010, 24,420 calls were handled by the Call Center, a 17 percent decrease compared to 2009 (29,473). Call answer time (reaching a staff contact person) averaged 24 seconds, a decrease compared to 2009, which was 25 seconds. These calls included new customers as well as repeat customers. 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 without establishing an informal complaint or inquiry, as well as the number of calls regarding unregulated service (non-electric, natural gas and telecommunications).

Of the 24,420 calls, plus other contacts received via e-mail, the Commission website, and referrals from other government offices, SQD received a total of 9,306 new complaints and inquiries. This represents a 26 percent decrease compared to the total number of inquiries and complaints received in 2009 (12,504). Commission 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.

Energy

Energy Regulation Officers handled 7,317 complaints and inquiries. This represents a decrease of 23 percent from the 9,464 received last year. Staff has worked proactively with companies to resolve customer concerns before they escalate into complaints, as well as reviewed and proposed revisions to the Consumer Standards and Billing Practices for Electrical and Gas Residential Service to better reflect current trends.

The Staff has noticed a significant reduction in complaints regarding both Detroit Edison and Consumers Energy, the state’s two largest energy utilities. Complaints against Detroit Edison decreased from 4,035 complaints/inquiries in 2009 to 3,042 this year (a 25 percent decline) and complaints against Consumers Energy decreased from 3,605 complaints/inquiries in 2009 to 2,638 this year (a 27 percent decline). Overall miscellaneous billing was the most common issue (1,212 contacts). Other frequent customer concerns included: bill responsibility, shutoffs, high billing costs, delays in new service (where existing connection was available), and rates being too high.



Alternative gas supplier contacts regarding slamming, contract cancellation and deceptive marketing have declined 42 percent since last year, while restoration of service and meter

complaint issues have both decreased 37 percent. Repair and maintenance issues have decreased 43 percent.

Telecommunications

SQD handled 1,989 telecommunications complaints, a decline of 35 percent since 2009 (3,040). Commission 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. The Staff has also worked proactively with companies to resolve customer concerns before they escalate into complaints, as well as reviewed and proposed revisions to the Telecommunications Service Quality Rules to better reflect current trends.

The Staff is working with telecommunication companies to determine what can be done under Federal regulations to reduce the instances of slamming (the unauthorized switching of telecommunication services) and cramming (unauthorized charges on the telephone bill). Cramming has been reduced significantly from 589 complaints/inquiries in 2009 to 266 this year (55 percent decline) and slamming declined from 224 complaints/inquiries in 2009 to 122 this year (46 percent decrease).

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

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 40 formal complaint cases, 32 of which were closed, with most of them resolved through settlement agreements. Eight of the 40 formal complaints are still pending.

Small Business Focus

Small businesses filed 1,229 contacts in calendar year 2010; 420 regarding telecommunications and 809 regarding natural gas and electric services. Efforts by the Staff in resolving these complaints and inquiries resulted in substantial savings to Michigan's small businesses. By utilizing customer trends and feedback, SQD has reviewed and proposed revisions to the *Billing Rules Applicable to Nonresidential Electric and Gas Customers*. Energy complaints commonly involved problems with billing errors, utility security deposits, and delays in restoring service where previous energy theft had occurred. Telecommunications complaints continued to be cramming, slamming, and billing errors. A web page, [MPSC - Business Customers](#), was also designed and added to the Commission website to provide information specifically to small business customers.

Customer Information and Education

The Division continued its public education outreach by distributing three new consumer alerts: *Understanding Your Natural Gas Bill – The Alphabet Soup of Charges*; *Understanding Your Electric Bill – The Alphabet Soup of Charges*; and *How Does Nonprofit Designation Affect Utility Bills?* Thirteen other alerts were updated. All MPSC Consumer Alerts are available on the Commission's website. Approximately 2,600 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 60,000

publications were distributed during 2010. The division also reformatted a portion of the website to focus outreach material with other languages than English, including Spanish and Arabic.

Consumer Forums

For the 23rd 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 2010, forums were held in Southfield, Sault Ste. Marie, Traverse City, Kalamazoo (two forums), Greenville, Detroit, and Flint. Over 270 consumers attended the eight 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, 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 to identify new areas for customer information and outreach.

Looking Ahead

Staff anticipates the overall utility complaint volume will continue to decrease. This provides 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

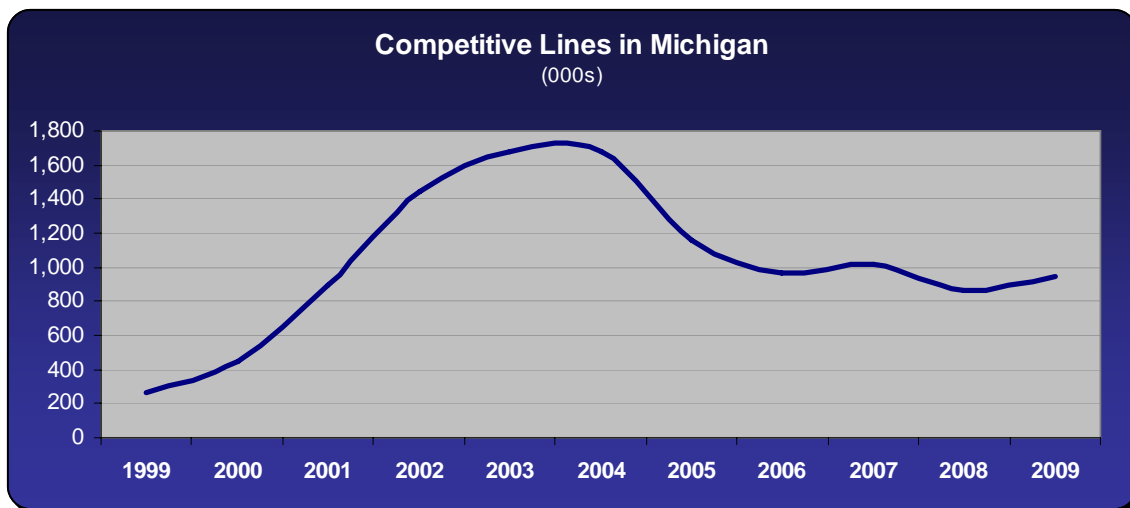
Robin P. Ancona, Director

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 1996 (MTA), 1991 PA 179, MCL 484.2101 *et seq.*, and the federal Telecommunications Act of 1996. In addition, the division is responsible for administering the Michigan Children's Protection Registry Act, 2004 PA 241, MCL 752.1061 *et seq.* (Act 241), and the Uniform Video Services Local Franchise Act, 2006 PA 480, MCL 484.3301 *et seq.* (Act 480). The division is currently comprised of three sections: Licensing & Competitive Issues, Operations & Tariffs, and Rates & Financial Analysis. As a result of Public Act 182 of 2009, a fourth section, the Access Restructuring Fund Administration section, was created to implement the new law related to the ongoing calculation and distribution of intrastate switched toll access charges.

Local Telephone Competition

The Commission granted licenses, or approved amendments to existing licenses, for 18 telephone companies in 2010. During 2010, 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. Eight CLECs voluntarily surrendered their licenses. 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 2010, CLECs were serving 24.2 percent, or about 947,068, of the lines provided to customers in Michigan.



Based on 2009 data, competition in the wireline telecommunications market in Michigan increased significantly. This increase is due, in part, to the decrease in the reported incumbent lines and the recovery of a portion of the competitive lines that were lost in 2008. The number of lines served by CLECs via local wholesale arrangements was 100,473 lines or 10.6 percent of all CLEC line activity. Resale accounted for 81,572 lines, while lines served over unbundled network facilities were 333,975, and lines served via CLEC-owned facilities were 327,091. 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.

Expansion of Telephone Service into Unserved Areas

In January 2010 in Case No. U-16137, the Commission approved an expansion of a license for Michigan Access, Inc., to provide service to two unserved territories in Michigan's

northeast Lower Peninsula. The Commission had previously granted authority to Allband Communications Cooperative and Osirus Communications, Inc., to serve these territories as well. These providers are currently awaiting additional regulatory approvals from the federal government to service these areas.

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 505 companies are registered.

Rulemaking Proceedings

In August of 2009, the Commission initiated a rulemaking proceeding in Case No. U-16063 for two sets of rules promulgated pursuant to the requirements of Section 202(1)(c)(ii) and (iii) of the MTA for the provision of unbundled network elements and local interconnection between providers and the transfer of a customer from one provider of basic local exchange service to another. These rules became effective on May 25, 2010 and June 17, 2010 respectively.

The Commission also commenced rulemaking proceedings in Case No. U-16250 in April 2010, establishing procedures for the arbitration of interconnection agreements and the mediation of complaints. These rules codified procedures as set forth in previous Commission orders that were issued in accordance with the MTA and federal law. The Commission also opened a docket in Case No. U-16251 to promulgate rules to maintain and enforce quality of service standards for providers of basic local exchange service to end users. These rules modify the existing rules.

Cost Proceedings

In January of 2010, Upper Peninsula Telephone Company (UPTel) and Michigan Central Broadband Company (MCBC) filed an application for the approval of total service long run incremental cost (TSLRIC) studies for each of the companies pursuant to a corporate reorganization in Case No. U-16171. As part of the reorganization, UPTel spun off the operations of its four Lower Peninsula exchanges into the newly created MCBC, while UPTel retained the operations of the company's 15 Upper Peninsula exchanges. In the TSLRIC filing, the companies effectively requested to split the TSLRIC study for the historical UPTel, approved by the Commission in March 2008, into two separate studies for each of the new companies, using the same assumptions and cost study inputs approved by the Commission in that previous TSLRIC case. The Commission issued an order on April 27, 2010, approving the bifurcated studies filed by UPTel and MCBC without modification.

Also in January of 2010, Climax Telephone Company (Climax) filed an application for the approval of a TSLRIC study for both its ILEC and CLEC operations in Case No. U-16192. The Commission issued an order on April 13, 2010 approving the TSLRIC study with modifications. Climax filed a final compliance TSLRIC study on May 11, 2010.

Primary Basic Local Exchange Service & Lifeline Surcharge Rates

Pursuant to Section 304(1) of the MTA, the Commission initiated Case No. U-14731 in order to implement the provisions of the MTA related to setting the rates for Primary Basic Local Exchange Service (PBLES). The Commission continues to review PBLES rates on an ongoing basis to ensure that all PBLES rates meet the requirements of the MTA and that all new providers offering residential service have a PBLES rate available for customers.

In February 2010, AT&T Michigan filed notice that it would be increasing its PBLES rate by a factor of 1.98 percent. The filing was reviewed in this proceeding, Case No. U-16207, and determined that the rate increase properly met the provision in Section 304(2)(c) of the MTA that allows for an increase in a basic local exchange rate that does not exceed 1% less than the consumer price index.

On April 1, 2010, the Michigan Exchange Carriers Association (MECA) filed a request for a Lifeline surcharge revision on behalf of the 35 participants of MECA's Lifeline pool in Case No. U-16258. MECA proposed to increase the Lifeline surcharge from \$0.07 per contributing residential and business customer per month to \$0.10 per month. The increase in the surcharge amount does not apply to PBLES customers. The Commission reviewed the documentation filed by MECA and issued an order April 27, 2010, approving the increase to MECA's Lifeline surcharge.

Provider-to-Provider Interconnection Issues & Complaints

Among the contested telecommunications cases before the Commission in 2010, on October 8, 2010, TDS Metrocom, LLC, and McLeodUSA Telecommunications Services, L.L.C., filed a petition asking the Commission to alter the methodology AT&T Michigan uses to assess charges for DC power. This contested case, Case No. U-16467, is currently pending before the Commission.

On October 25, 2010, Talk America Inc. and LDMI Telecommunications, Inc., filed a complaint against Sprint Communications Company, L.P., regarding non-payment of certain intrastate access charges. This case, Case No. U-16474, is currently in the contested case phase and remains before the Commission.

Abbreviated Dialing Number 2-1-1

Currently, the entire Upper Peninsula and 36 Lower Peninsula counties are served by 2-1-1 call centers. An application in Case No. U-16459 to designate the Jackson 2-1-1 Call Center as the 2-1-1 information and answering point for Genesee and Shiawassee counties, is pending.

On March 18, 2010, 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, 2011. This was the first year of the two one-year renewal periods granted by the Commission.

Abbreviated Dialing Number 9-1-1

Under PA 164 and 165 of 2007, the Commission was given the authority 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 2010, at the request of the State 9-1-1 Committee, the Commission conducted a collaborative meeting on the standards for the training of PSAP personnel and two collaborative meetings on the MLTS requirements. The Commission will continue with the formal process in 2011.

Universal Service Fund Requirements

In 2010, the Commission approved six new carrier applications to become Eligible Telecommunications Carriers (ETC). In total, the Commission approved the continued ETC designation for 58 wire line and wireless carriers to be eligible for federal Universal Service Fund support in 2011 pursuant to the process set forth by the federal government and adopted by the Commission.

Intrastate Access Reform/Access Restructuring Mechanism

Public Act 182 of 2009 amended Section 310 of the MTA related to intrastate switched toll access charges. These are the rates charged between providers to transport and terminate toll calls on each other's networks. In early 2010, the Commission established Case No.U-16183 to implement the new law. The law required that all providers offering intrastate switched toll access service at rates not equal to or lower than the rates for corresponding interstate service reduce those rates. These rate reductions went into effect by September 13, 2010 for eligible providers. The rate reductions for non-eligible providers occurs in a step-down process beginning January 1, 2011. Additionally, the law establishes the Access Restructuring Mechanism (ARM), a fund with the goal of facilitating the transition to lower intrastate rates by ensuring that eligible providers, smaller ILECs serving traditionally rural/high-cost areas, have sufficient revenue to provide quality service to customers in those areas.

In order to implement the ARM, the Commission collected data from eligible providers and calculated the total initial size of the fund as well as the individual eligible provider disbursement amounts. The Commission also collected information from over 500 providers to calculate the contribution percentage used to determine the monthly contribution amounts for all contributing providers, *i.e.*, all providers of retail intrastate telecommunications services as defined by the MTA, and including mobile wireless providers. The ARM became operational on September 13, 2010. The Commission will continue to monitor and administer the ARM, and will submit the first annual report on the activities of the ARM to the Governor and the Legislature on December 1, 2011.

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 75 providers in 2010 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 2010, and has issued these reports since 2003. This information is posted on the Commission's website. The Commission processed 202 notices of permit applications from municipalities in 2010; 201 were approved, and one was denied. The majority of the permits approved were for unilateral permits, however there were more bilateral permits approved in 2010 than in the past few years.

Broadband

During 2010, Michigan was awarded over \$350 million in federal funding for broadband infrastructure, sustainable adoption, public computer centers, as well as broadband mapping and planning. Slightly over \$250 million of the federal funds granted were for projects exclusively in Michigan.

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 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 which offers grants, direct loans, and loan grant combinations. The Commission has been involved in the analysis, planning and review of the federal broadband applications that pertain to Michigan along with various other state departments.

Broadband Mapping and Planning: Connect Michigan

In September 28, 2010, the NTIA awarded Connect Michigan approximately \$3 million in additional funding, under the State Broadband Data and Development Grant Program, to further implement broadband initiatives over the original five-year award period. Connect Michigan is a statewide broadband expansion initiative and public-private partnership between the Commission and Connected Nation, a national leader in broadband mapping.

The Connect Michigan initiative successfully released its first iteration of the broadband map in May 2010 at www.connectmi.org. The additional funding will allow the state to prioritize and track the progress of broadband deployment. This data will also be used to populate the comprehensive, interactive, and searchable national broadband map that NTIA is required by the Recovery Act to create and make publicly available by February 17, 2011. Additional information about the project is also available on the Commission's website at www.michigan.gov/broadbandmapping.

Protect MI Child Registry

The Protect MI Child Registry, formulated pursuant to Act 241, marked its fifth-year anniversary of operation on July 1, 2010. 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, 2010, over 127,582 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 Act 480. In addition to continuing its daily responsibilities, as set forth by Act 480, the Commission also continues to reach out to the public via the Commission's Consumer Forums, as well as by making enhancements and modifications to its Video/Cable website.

The Commission received 1,073 customer cable complaints between January 1, 2010 and December 31, 2010, this was a slight increase from 2009.

In 2010, the Commission initiated two Show Cause Proceedings for Pine River Cable (Case No. U-16181) and CableMax Communications (Case No. U-16182) for potential violations of PA 480. The Commission found both companies to be in violation of PA 480.

Pine River Cable was found to have committed 13 violations of PA 480. Pine River Cable was fined \$6,500, ordered to repay customers for services not provided, cease and desist providing any video services in Michigan, and rescind any existing franchise agreements in the State of Michigan to which Pine River Cable may be a party or beneficiary.

CableMax Communications was found to have committed 30 violations of PA 480. CableMax Communications was fined \$15,000, ordered to refund \$3,952.50 to 87 identified customers for services not received, cease and desist providing any cable services in Michigan,

and rescind any existing franchise agreement in the State of Michigan to which CableMax Communications may be a party or beneficiary.

The Commission has separately submitted a much more in-depth report to the Legislature and Governor on February 1, 2011 regarding the status of competition for video services in Michigan pursuant to Act 480.

SOAHR Administrative Law Judges

James N. Rigas, Administrative Law Manager

In 2005, SOAHR was created by Executive Order No. 2005-1 to provide services related to the administrative hearing functions for departments or agencies, including the Commission. SOAHR Administrative Law Judges 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. During 2010, an Administrative Law Manager, six Administrative Law Judges, and two support staff carried out this function.

Over the course of the year, SOAHR conducted 239 days of hearings and issued Proposals for Decision (PFD) in 29 cases. In addition, 154 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 SOAHR Administrative Law Judges were responsible for conducting the proceedings in several more remarkable matters.

A second series of 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 will be considered approved as filed. As a result, the contested case process and all parties' resources were significantly challenged in bringing these cases to a timely conclusion.

On May 22, 2009, Consumers Energy filed an application in Case No. U-15986 to increase its rates for the distribution of natural gas by \$114.4 million. Hearings took place during late December 2009 and early January 2010. Nine parties participated in the case and approximately 31 witnesses were presented for cross-examination. A PFD was issued on March 24, 2010, recommending final rate relief of approximately \$68.6 million. On May 17, 2010, the Commission issued its final order authorizing Consumers Energy to increase gas rates by \$65.9 million annually. This amount was below the \$89 million increase the company began to self-implement on November 19, 2009.

On June 9, 2009, Mich Con filed an application in Case No. U-15985 to increase its rates for the distribution of natural gas by \$193 million. Hearings took place during December 2009 and January 2010. Twelve parties participated in the case and approximately 43 witnesses were presented for cross-examination. A PFD was issued on April 2, 2010, recommending final rate relief of approximately \$142.9 million. On June 3, 2010, the Commission issued its final order authorizing Mich Con to increase electric rates by \$118.6 million annually. This amount was below the \$170 million increase the company began to self-implement on January 1, 2010.

Media and Public Information

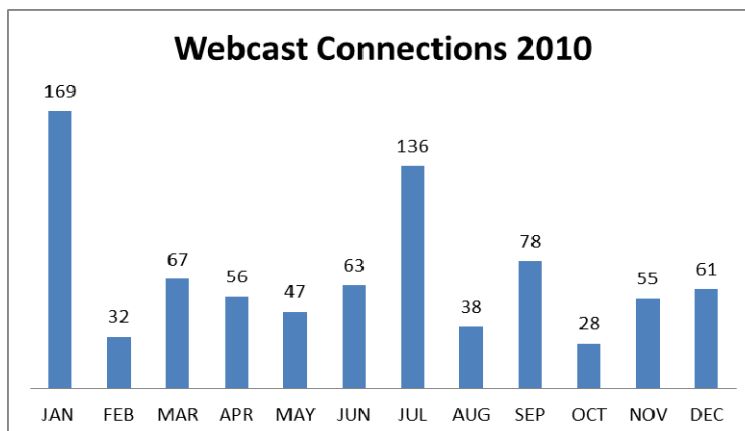
The Commission issued 165 press releases resulting from Commission orders, programs and activities.

Press releases announced Commission action on a wide range of issues including: designation of two Michigan regions as wind energy resource zones; updates on the number of net metering customers in Michigan; several electric and natural gas rate cases; expansion of energy optimization programs for Detroit Edison, Mich Con, and Consumers Energy; establishment of tariffs for municipalities that use emerging lighting technologies; the launch of an interactive broadband map for Michigan; approval of several power purchase agreements for renewable energy; approval of several electric vehicle electric rates; an investigation into the response of Detroit Edison to damage caused by a windstorm; and the issuance of two new consumer alerts on understanding utility bills.

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

IT & Web Activity

The Commission's website and its web applications and services enjoyed another successful year in 2010. Commission Staff successfully delivered live audio streams for 22 Commission meetings and continues to upload podcasts shortly after the conclusion of each meeting.



Since last year's web server upgrade, the E-Docket system has achieved tremendous performance and continues to offer timely and reliable services to its visitors. In 2010, over 7,500 documents were electronically filed with the Commission, saving human and financial resources. As an enhancement to our e-file system, we began building a web application that will allow our visitors to look up detailed information or the status of any cases filed with the Commission. We hope to complete and launch the application within the first quarter of 2011.

Due to unforeseeable technical difficulties and server performance issues, the State of Michigan's migration to a new web content management system had to be postponed. The vendor will conduct further testing and a new launch date will be announced.

Wi-Fi access in our building continues to be available to all Staff and visitors. As always, the Commission welcomes your ideas and suggestions.