



STATE OF MICHIGAN

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GOVERNOR

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
PUBLIC SERVICE COMMISSION

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CHAIRMAN

NORMAN J. SAARI
COMMISSIONER

March 7, 2016

Honorable Rick Snyder
Governor of Michigan

Honorable Members of the Michigan Senate

Honorable Members of the Michigan House of Representatives

The enclosed *2015 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.

Michigan is embarking on a transformational period in the way energy is produced and delivered to end users. Up to 25 coal-fired electric generation units will be retired by 2020, due to a combination of old age, economics, and federal environmental regulations. Electric and natural gas distribution infrastructure is aging, and requests to upgrade this infrastructure continue to represent an increasing proportion of utility requests for cost recovery. The telecommunications industry continues to evolve as well, with access to broadband infrastructure and competitive options remaining of critical importance to Michigan.

Governor Snyder reiterated his goals for Michigan's energy policy in 2015 – that it be an adaptable policy that promotes affordability, reliability, and environmental protection. To help facilitate this, Executive Order 2015-10 took effect May 18, 2015, creating the Michigan Agency for Energy (MAE) and transferring the Commission from the Department of Licensing and Regulatory Affairs to MAE. Several Commission staff positions were transferred to MAE, along with staff positions from the Department of Environmental Quality and Michigan Economic Development Corporation, to better align energy policy expertise within state government.

In 2015, the Commission issued 599 orders, consisting of 374 electric orders, 147 telecommunications orders, 77 natural gas orders, and one motor carrier order. The Commission also issued 22 minute actions. Of particular note, the Commission:

LARA is an equal opportunity employer/program.

Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

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- Revised the retail natural gas rates of Consumers Energy Company and Michigan Gas Utilities Corporation, and the retail electric rates for Consumers Energy Company, DTE Electric Company, Northern States Power Company, and Wisconsin Public Service Corporation.
- Revised electric utility cost allocation methodologies to result in rates that better reflect the cost of providing service to different rate classes in three cases required under Act 169 of 2014.
- Evaluated electric generation resource adequacy over the next five years, finding that Michigan is unlikely to experience power outages due to a lack of electric generating capacity in the near term, but may see shortages regionally as early as 2020.
- Monitored electric distribution system reliability, finding that Michigan is in the first quartile when it comes to the frequency of outages, but fell short of the national average in terms of how long customers are out of power.
- Continued to work to resolve issues related to system support resource (SSR) costs being borne by customers in the Upper Peninsula.
- Performed inspections and investigated all jurisdictional incidents that met the US Department of Transportation requirements, through the Commission's gas safety engineers. Inspection days included incident investigations of the ruptured pipelines near Reed City and Chelsea, and excavation damage and ignition of natural gas in Flint.
- Approved or amended licenses for 11 telephone companies, revised Emergency 9-1-1 Services Multiline Telephone System rules, approved 64 carriers as eligible telecommunications carriers to apply for federal Universal Service Funding, and upgraded its Intrastate Telecommunications Service Provider database and software.
- Through cooperation with MAE, extended its public outreach efforts by participating in 124 events throughout the state ranging from utility-sponsored Customer Assistance Days to county fairs. The Commission continues to make its Commission meetings available via podcast and increased its listserv subscribership 16 percent to 3,152 subscribers.
- Through cooperation with MAE, assisted consumers and businesses with 10,655 complaints and inquiries related to energy and telecommunications service.
- Also through cooperation with MAE, maintained its commitment to address the needs of Michigan's low-income citizens, awarding approximately \$90,000,000 in Michigan Energy Assistance Program (MEAP) grants for low-income energy assistance to thirteen organizations. The awards provide immediate assistance for heating needs as well as longer term assistance in reducing future heating costs for low-income citizens.

Opportunities to ensure reliability and modernize infrastructure in the energy and telecommunications industries are expected to continue in 2016.

The Commission looks forward to working with the Legislature, MAE, and stakeholders on finalizing comprehensive energy legislation that will help to set Michigan on a path of controlling its own energy future in the coming years by creating processes to evaluate utility investments to comply with environmental and reliability mandates, and to ensure adequate electric generating resources are available to serve customer load.

The Commission and MAE have also jointly requested additional resources in the fiscal year 2017 budget to address pressing reliability and infrastructure issues. Five new positions would help to:

- Evaluate and influence federal electric utility reliability standards with an eye toward cost-effectiveness of these mandates.
- Provide expertise in planning for and coordinating the emergency response to the potential for long-term energy outage situations, whether due to extreme weather, cyber or physical attacks, or other causes.
- Support interagency coordination related to influencing and complying with federal environmental regulations.
- Deepen expertise in the evaluation of utility infrastructure modernization requests, ensuring that requests will enhance reliability in a cost-effective manner.
- Deepen expertise in the use of demand response and energy waste reduction as potential alternatives to building costly new generation facilities without sacrificing reliability.

Finally, the Commission looks forward to serving on and providing support regarding energy and telecommunications issues to the Commission on Infrastructure announced in Governor Snyder's 2016 State of the State address. As always, we stand ready to work with the Legislature on energy and telecommunications matters to enhance services and ensure adequate protection of Michigan residents and businesses.

Respectfully,

Sally A. Talberg, Chairman
Michigan Public Service Commission

John D. Quackenbush, Commissioner
Michigan Public Service Commission

Norman J. Saari, Commissioner
Michigan Public Service Commission

MICHIGAN PUBLIC SERVICE COMMISSION

2015 ANNUAL REPORT

Sally A. Talberg, Chairman
John D. Quackenbush, Commissioner
Norman J. Saari, Commissioner

MICHIGAN PUBLIC SERVICE COMMISSION
Department of Licensing and Regulatory Affairs

March 7, 2016



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Sally A. Talberg, Chairman

Sally A. Talberg was appointed by Governor Rick Snyder to the Michigan Public Service Commission on July 3, 2013, and was appointed chairman on January 4, 2016. Her term ends July 2, 2019.

Prior to her appointment, Chairman Talberg worked in the public and private sectors with a focus on energy policy and utility regulation. Most recently, she served as a senior consultant at Public Sector Consultants focusing on energy policy issues. During her tenure at Public Sector Consultants, she also helped establish Michigan Saves, a financing organization to support energy waste reduction. Chairman Talberg previously served as an analyst at the Michigan Public Service Commission, managed enforcement and contested cases at the Michigan Department of Environmental Quality, and advised commissioners at the Public Utility Commission of Texas.

Chairman Talberg is president of the Organization of MISO States. Through her involvement with the National Association of Regulatory Utility Commissioners Telecommunications Committee, she also serves on the Federal-State Joint Boards on Jurisdictional Separations and on Universal Service.

Ms. Talberg holds a bachelor of science degree in Environmental and Natural Resources Policy Studies from Michigan State University and a master's degree in Public Affairs from the Lyndon B. Johnson School of Public Affairs, University of Texas-Austin.



John D. Quackenbush, Commissioner

John D. Quackenbush was appointed by Governor Rick Snyder to serve as chairman of the Michigan Public Service Commission on Sept. 15, 2011. He announced his intention to return to the private sector on Jan. 4, 2016. To facilitate a smooth transition, he will continue as a commissioner until March 31, 2016.

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

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

Commissioner Quackenbush is a member of the National Association of Regulatory Utility Commissioners and serves on several committees including the Committee on Gas, the Committee on Consumer Affairs, and the Subcommittee on Pipeline Safety. He is also a member of the Advisory Council for the Gas Technology Institute, and was appointed to the Technical Hazardous Liquid Pipeline Safety Standards Committee of the U.S. Department of Transportation.



Norman J. Saari, Commissioner

Norman J. Saari was appointed by Governor Rick Snyder to the Michigan Public Service Commission for a term beginning on August 2, 2015. His term ends July 2, 2021.

Commissioner Saari served as an executive director of governmental affairs for 20 years at Consumers Energy Company, a position from which he retired in 2006. Commissioner Saari was most recently Chief of Staff for the Michigan House of Representatives under Speaker Kevin Cotter as well as under former Speaker Jase Bolger. He also served as Governor Snyder's manager of appointments and Chief of Staff for former State Senator Jason Allen.

Commissioner Saari is a member of the National Association of Regulatory Utility Commissioners and serves on its Committee on Electricity, Subcommittee on Nuclear Issues-Waste Disposal, Committee on Critical Infrastructure, and the Washington Action Program. Additionally, Commissioner Saari sits on the Board of Directors of the Organization of PJM States, Inc.

Commissioner Saari earned a bachelor's degree in journalism from Michigan State University, and served as a public information officer in the Michigan National Guard.

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.

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, and telecommunications 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 Michigan'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 and telecommunications services.
- Assure the security of Michigan's critical infrastructure by promoting homeland security.
- Promote Michigan's economic growth and enhance the quality of life of its communities through adoption of advanced technologies like broadband telecommunications, efficient renewable energy resources and energy efficiency innovations.
- Provide customers with the opportunity to choose alternative electric, natural gas, and telecommunications providers.
- Provide regulatory oversight in a prudent and efficient manner while implementing legislative and constitutional requirements.

Executive Order 2015-10

On March 18, 2015, Governor Rick Snyder signed [Executive Order No. 2015-10](#). The Order took effect May 18, 2015, and had the following effects on the Commission:

- Created the Michigan Agency for Energy (Agency), an independent agency within the Department of Licensing and Regulatory Affairs (Department), and transferred the Commission from the Department to the Agency.
- Transferred the Motor Carrier Division and its authority under the Motor Carrier Act, The Carriers by Water Act, and the Motor Carrier Safety Act from the Commission to the Michigan State Police.
- Transferred the legislative liaison position, the communications specialist position, a human resources position, the Customer Service Division, the Energy Markets section, and the Energy Data & Security section from the Commission to the Agency.

Regulatory Process Improvement

Commensurate with the Governor's directive regarding Reinventing Performance in Michigan (RPM), the Commission has prioritized and completed regulatory process improvement projects using the Lean Process Improvement (LPI) Program. In 2015, the Commission completed an RPM project that significantly reduced the number of forms used in all steps of the regulatory process. Also in 2015, the Commission completed an RPM project that streamlined regulatory reviews of demand response proposals and instituted a technical review team charged with coordinating Commission efforts surrounding demand response.

The Commission also continued its accountability and transparency efforts through the [MPSC Scorecard](#), which contains performance and accountability metrics for each division, is updated monthly, and is available on the Commission's website. The January 2016 Scorecard is attached to this report as Exhibit 1. The Commission continues to work on other identified project areas, seek new project areas, and strive for excellence in the performance of its services.

Staff Organization

The Michigan Public Service Commission (MPSC) has 124 full-time employees on staff¹, organized into six divisions: (1) Regulatory Affairs Division, which is primarily responsible for the drafting of Commission orders and administrative rules, and maintaining the Commission's files and official dockets; (2) Electric Reliability Division, which is primarily responsible for implementation of the state's Renewable and Energy Efficiency Act and evaluating certificate of necessity filings; (3) Financial Analysis & Audit Division, which is primarily responsible for accounting and audit issues, reconciliations, financial statistics, annual reports, and administration of Michigan's gas and electric customer choice programs; (4) Operations & Wholesale Markets Division, which is primarily responsible for ensuring safe, adequate, and reliable energy supplies; (5) Regulated Energy Division, which is primarily responsible for electric, natural gas, and steam utility ratemaking functions; and (6) Telecommunications Division, which is primarily responsible for all aspects of the Commission's authority related to telecommunications services.

In addition to the Commission's six divisions, the Michigan Administrative Hearing System maintains an office of Administrative Law Judges, who conduct hearings on Commission cases.

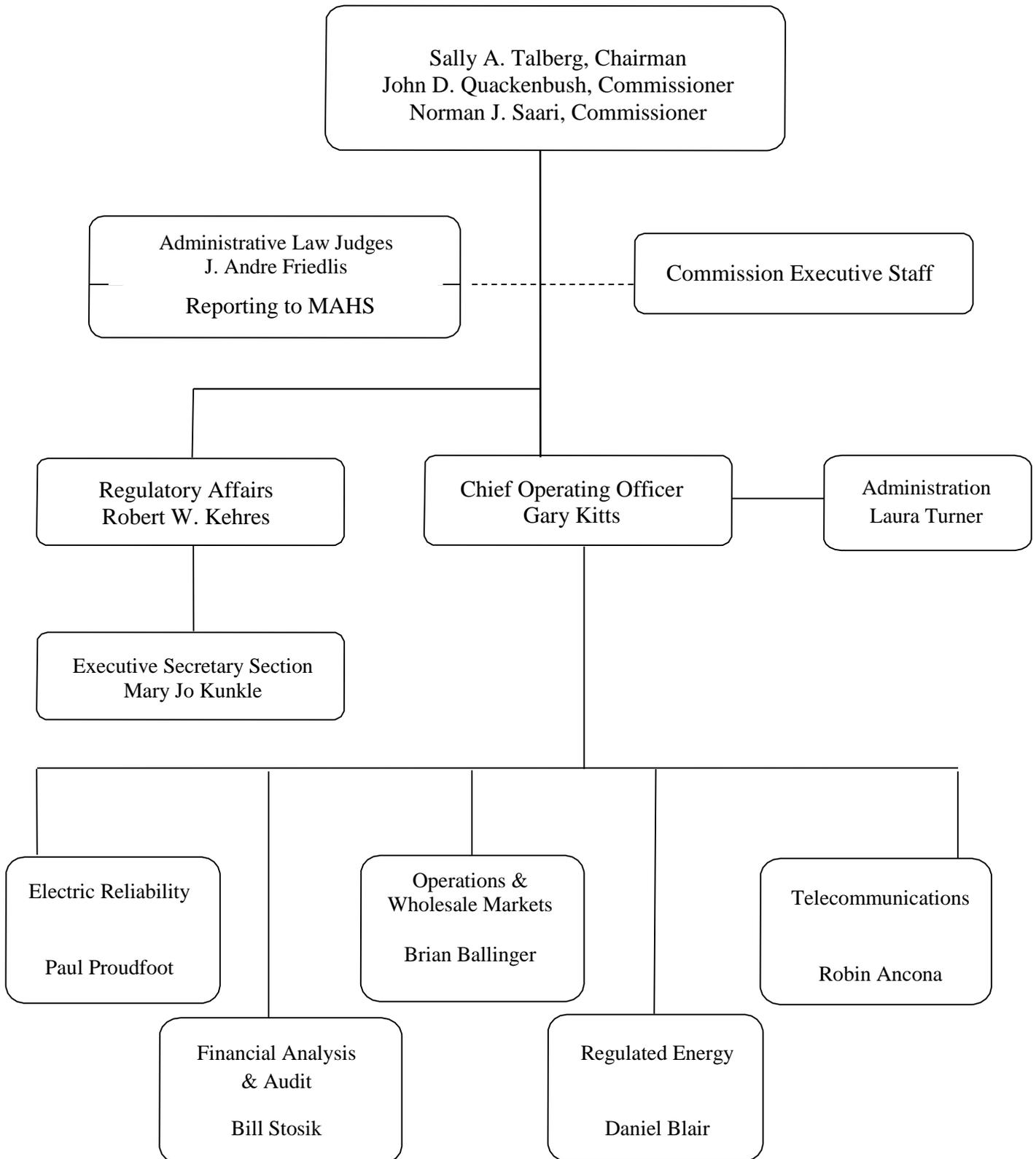
The Commission performs functions that are common to state government. Every state in the nation has a similar agency that is responsible for utility regulation and other functions handled by the Public Service Commission. The MPSC is relatively small compared to others.

¹ This figure does not include the number of full-time staff employed by the Michigan Agency for Energy (MAE) that were transferred from the Commission to MAE by the Executive Order. The Commission may request the services and/or assistance of these personnel when carrying out its plenary powers. If these individuals are included in this figure, the number of staff is 158.

For example, the MPSC has a staff of 12.5 per million population² compared to the national (including Washington, DC) average of 25.5 and an average of 22.0 in other Great Lakes states.

² The figure including MAE Staff transferred from the Commission by the Executive Order is 15.9 staff members per million population.

MPSC Organizational Chart



Regulatory Affairs Division

Through the Regulatory Affairs Division, the Commission issued 599 orders in 2015, consisting of 147 telecommunications, 374 electric and 77 natural gas orders, as well as one motor carrier order. The Commission also issued 22 minute actions. The Executive Secretary received and processed 8,265 official documents from applicants, complainants, respondents, intervenors, and other interested persons. This included documents resulting from 394 cases opened in 2015. Twenty-three formal complaints were served upon regulated telecommunications, cable, electric, and gas providers. Also, 158 notices of hearing and notices of opportunity to comment were issued on behalf of the Commission. Court reporters were scheduled for 424 Commission hearings. More than 300 industry officials and interested persons were electronically notified of Commission's Own Motion orders through an automated electronic notification system. The Commission received and opened 338 E-docket cases and posted 8,179 electronic filings from utility companies, intervenors, Commission Staff, administrative law judges, the Attorney General, ratepayers, and court reporters. The Executive Secretary also responded to 149 Freedom of Information Act requests.

Customer Service Division

As of May 18, 2015, the Customer Service Division was transferred to the Michigan Agency for Energy as part of [Executive Order 2015-10](#). The division is comprised of three sections: Compliance & Investigation, Outreach & Education, and Energy Grants.

Through the Customer Service Division, 10,655 new customer contacts were created as a result of customer complaints and inquiries. The division staff also coordinated 25 formal complaint cases for customers who were not satisfied with the resolution of their complaint at the

informal level. The division handled 7,116 energy-related contacts, 1,705 telecommunication contacts, and 1,834 other contacts.

The division partnered with other state and local agencies, consumer groups, community organizations, and utility companies to provide customer education to Michigan customers. Division staff participated in 124 outreach events throughout the state reaching approximately 31,900 citizens. The division also distributed consumer tips via mail, the Commission's website, press releases, social media, and the listserv. Since 2014, the outreach plan has increased the listserv subscribership 16 percent to 3,152 subscribers.

Division staff also continues to assist in a rulemaking proceeding to amend and update the Commission's Billing Practices Applicable to Non-Residential Electric and Gas Customers rules, and the Consumer Standards and Billing Practices for Electrical and Gas Residential Service rules. As directed in Case No. U-17844, Division staff also worked with regulated gas utilities and stakeholders representing vulnerable population groups in a collaborative work group to identify industry best practices to protect vulnerable customers during extreme weather conditions.

Division staff noticed a significant increase in complaints (up 22 percent from 2014) regarding Consumers Energy Company's estimated billing practices. Staff met with company officials throughout the year and continues to monitor their actions. The Commission ordered the company to review its practices and file a report by February 18, 2016, regarding their findings. The staff will analyze the information provided by the company and make recommendations as to how the company can remedy the situation and reduce complaints. Besides the issue of estimated bills, several issues have been prominent themes for customer complaints, including

the rollout of the advanced metering infrastructure, cancellation of alternative gas supplier contracts, service shutoffs, and determining proper responsibility for bills.

Approximately \$90 million in grants for the 2015/2016 heating season were approved through the Michigan Energy Assistance Program (MEAP) to intervene in low-income household energy crisis situations and provide energy assistance program services that will enable low-income participants to become or move toward becoming self-sufficient. In February 2015, the Department of Health and Human Services announced that it would make an additional \$22 million in federal funds available to support the 2015 MEAP Grants bringing the total MEAP Grants approved to \$111,500,000 divided among 13 organizations. During fiscal year 2015, the 13 grantees spent a total of \$96,632,268.75 serving 113,946 individual low-income households. Pursuant to Public Act 95 of 2013 and the creation of the Low-Income Energy Assistance Fund (LIEAF), the Commission adopted a funding factor of 97 cents per meter per month for all Michigan electric utilities opting to participate in the LIEAF program for FY 2015. In compliance with Public Act 615 of 2012, only 22 percent (\$24,586,548.53) of the MEAP grant funds were spent outside the November 1 through May 31 crisis season.

Electric Reliability Division

Through the Electric Reliability Division, the Commission approved Energy Optimization reconciliations and reviewed annual reports for 65 utilities, cooperatives, and municipal utilities. The Generation and Certificate of Need section staff worked with the Department of Environmental Quality and the Michigan Agency for Energy on the evaluation of final rules under Section 111(d) of EPA's Clean Air Act, federal carbon rule.³ The Generation

³ The US Supreme Court stayed the implementation of the rule on February 9, 2016, and MAE announced on February 16, 2016, it was suspending activities related to compliance with the rule pending resolution of the matter through the courts.

and Certificate of Need section staff also performed an in-depth analysis of resource adequacy in Michigan, pursuant to Case No. U-17751. A [report](#) outlining key findings was submitted to the Commission on July 9, 2015. The Commission approved 49 renewable energy plans, handled 13 renewable energy reconciliation cases, and approved three renewable energy contract applications. In December, the section staff conducted the first in a series of Technical Advisory Group meetings to consider the Commission's implementation of the Public Utility Regulatory Policies Act of 1978.

Financial Analysis & Audit Division

Through the Financial Analysis & Audit Division, the Commission received five electric and four natural gas case applications for rate increases. The Commission issued orders approving natural gas rate increases for Consumers Energy Company and Michigan Gas Utilities Corporation, and issued orders approving electric rate increases for Consumers Energy Company, DTE Electric Company, Northern States Power Company, and Wisconsin Public Service Corporation. On October 5, 2015 the Gas Choice Comparison Website, www.michigan.gov/CompareMIGas, was officially launched. The website is intended to help customers make informed decisions when shopping for their natural gas provider. The division tracked participation in choice programs and found that the number of both electric choice customers and gas choice customers throughout the state decreased in 2015. The Commission opened 30 Gas Cost Recovery Reconciliation, Gas Times Interest Earned Ratio (TIER), Power Supply Cost Recovery (PSCR) Reconciliation, cooperative PSCR/TIER, Steam Cost Recovery Reconciliation, Revenue Decoupling, Uncollectible Reconciliation, and miscellaneous reconciliation cases that were assigned to the Act 304 Reconciliations section of this division. Of these cases, 13 remain open.

Motor Carrier

Executive Order 2015-10 reorganized the Commission, created the Michigan Agency for Energy, and transferred Motor Carrier authority from the Commission to the Michigan State Police (MSP). All authority and duties assigned under the Motor Carrier Act (PA 254 of 1933), the Carriers by Water Act (PA 246 of 1921), and the Motor Carrier Safety Act (PA 181 of 1963) were transferred from the Commission to MSP effective May 18, 2015. Please refer to the [Executive Order](#) for more details regarding this transfer of authority.

Operations & Wholesale Markets Division

Through the Operations & Wholesale Markets Division (OWMD), the Commission issued orders regarding 12 applications for certificates of public convenience and necessity for gas utilities, one request for waiver of the Technical Standards for Gas Service, five matters related to natural gas pipeline applications, one electric case, and one electric complaint case. The Commission also issued five orders, including a final decision allowing wells in the Antrim Shale Formation to operate under vacuum. The Commission issued three orders related to natural gas main replacement programs, including the five-year extension of SEMCO Energy Gas Company's program and the Commission's decision to authorize the expansion of DTE Gas Company's program with modifications as recommended by staff. Additionally, the Commission issued an order on its own motion for natural gas providers to report information about certain connections based upon gas safety concerns raised by staff.

Gas Safety engineers inspected all jurisdictional natural gas pipeline operators as required, achieving a total of 791 inspection days. These inspection days included incident investigations of the rupture of an ANR Pipeline Company natural gas transmission pipeline near Reed City, the rupture of a Consumers Energy natural gas transmission pipeline near Chelsea,

and the excavation damage and ignition of natural gas from a Consumers Energy distribution pipeline in Flint. Pursuant to PA 174 of 2013 (PA 174), the Commission reviewed claims regarding underground damage prevention disputes, worked with the public and private sector to address the issues accordingly and collected information on related incidents involving damage to underground facilities. The Commission began assessing and collecting civil penalties related to underground damage prevention complaint investigations completed under PA 174.

The Electric Operations section was involved in two extensive rate cases, DTE Electric Company and Consumers Energy Company, reviewing distribution operations capital, and operations and maintenance spending budgets, and filing testimony in both cases. Section staff also provided engineering review and testimony in two Consumers Energy Company gas rate cases. Division Staff assisted in the Severstal Dearborn, LLC, complaint against DTE Electric Company, alleging that the utility overbilled the company for several years. The division was also involved in an investigation regarding stray voltage and whether it was impacting milk production on a dairy farm. Staff also began to review all Michigan investor-owned utilities' reliability data and power quality data to ensure there are no power quality issues with the electric distribution system, and to ensure that money spent to improve the distribution system improved reliability. In two cases the division assisted with, the Commission approved waivers from Commission rules for meter reading and testing requirements. Upper Peninsula Power Company received an extension of its monthly metering requirements and Alpena Power Company received a waiver of meter testing because it began an extensive automatic meter reading meter replacement program. Staff worked with Indiana Michigan Power Company to settle its case standardizing terms and conditions for open access customers to connect to its system.

In two major rate cases, the Smart Grid section evaluated and provided testimony addressing the reasonableness and prudence of smart grid investments, including advanced metering infrastructure meter installations. The Smart Grid Collaborative Educational Forum featured continuing education sessions for smart grid stakeholders including utilities, regulators, and vendors.

Division staff investigated the proposed recovery of costs for the continued operation of generating plants under System Support Resources (SSR) agreements filed at the Federal Energy Regulatory Commission. These plants included White Pine Electric Power, LLC's (White Pine) units 1 & 2 and Wisconsin Electric Power Company's (WEPCo) Presque Isle units 5-9, all in the Upper Peninsula of Michigan. Settlement agreements were reached for White Pine's units and the division is still active in the federal cases regarding WEPCo's units in an effort to minimize impacts to Michigan customers.

Regulated Energy Division

In 2015, through the Regulated Energy Division, the Commission opened 11 Power Supply Cost Recovery (PSCR) plan cases, seven Gas Cost Recovery (GCR) plan cases, and one Steam Supply Cost Recovery (SSCR) plan case. The Commission issued orders in 11 PSCR plan cases, 10 GCR plan cases, and one SSCR plan case during 2015.

The division takes on a primary role in managing rate cases and times interest earned ratio (TIER) cases, working with the Financial Analysis & Audit Division, by providing cost of service studies, rate design, tariff proposals, and various other inputs for all electric and natural gas rate cases. In 2015, the division worked extensively on five electric and four gas rate cases. One electric and two gas rate cases remain open. The division also handled three cases related to PA 169 of 2014 (Act 169), which modifies the cost allocation and rate design methods used to

set rates. The Commission issued orders in all three Act 169 cases in 2015, approving the application or settlement agreement for DTE Energy Company, Consumers Energy Company, and Indiana Michigan Power Company. The division had the lead role in four TIER cases, two special contracts, two electric depreciation cases, one gas standby contract, two cases which modified a main replacement program and its corresponding recovery mechanism, and two tariff modification cases that modified the budget billing methodology for Wisconsin Public Service Corporation, Michigan Gas Utilities Corporation, and Upper Peninsula Power Company. Division staff also performed analysis and provided recommendations in five reconciliation cases. One electric cooperative was granted approval to become member-regulated in accordance with PA 167 of 2008, MCL 460.31et seq., the Electric Cooperative Member-Regulation Act. During 2015, the Division processed 386 electric and 174 natural gas tariff sheet filings.

The Division is involved in two non-routine cases – a formal complaint filed by Midland Cogeneration Venture Limited Partnership against Consumers Energy Company regarding natural gas service, and a Commission initiated proceeding to consider revising Consumers Energy Company’s gas customer choice and end use transportation programs and tariffs. Both cases are ongoing. The Division is also currently coordinating a case involving a recovery mechanism and reconciliation for costs associated with the transition of customers from the Detroit Public Lighting Department to DTE Electric Company.

After an assessment of internal processes, the Commission created a Demand Response (DR) Team led by a DR Coordinator from the division. Demand response is an emerging topic of discussion and debate in the electricity industry, and one that transcends the Commission Staff’s traditional structure. The Team consists of staff from the Regulated Energy, Operations

and Wholesale Markets, and Electric Reliability Divisions. The Team researched existing studies, tariffs, and common practices, and provided support to ongoing stakeholder discussions on the topic.

Telecommunications Division

Through the Telecommunications Division, the Commission granted licenses, or approved amendments to existing licenses, for 11 telephone companies. The Commission also commenced a formal proceeding in December 2015 with final disposition expected in 2016, to revoke the licenses of 19 competitive local exchange carriers that are currently not in compliance with the requirements of the Michigan Telecommunications Act. At the end of 2015, a total of 376 companies were registered as intrastate telecommunications service providers in the state. The Commission also completed the process of upgrading its Intrastate Telecommunications Service Provider database and software, an RPM project, which has allowed for a more complete and accurate database of companies who are providing telecommunications services in the state of Michigan. Metropolitan Extension Rights-Of Way (METRO) tax credits for 73 providers were approved in 2015, and the Division processed 160 METRO/Rights-of-Way notices of permit applications from municipalities. In addition, the Commission completed a rulemaking proceeding in 2015 to revise the Emergency 9-1-1 Services Multiline Telephone Systems rules and opened dockets to continue existing provider-to-provider rules for unbundled network elements and interconnection, as well as customer migration from one provider of basic local exchange service to another provider. The Division continues to monitor ongoing proceedings at the federal level, including those relevant to the transition to Internet Protocol (IP) networks, and their potential impact on the citizens of Michigan. One new application to become an Eligible Telecommunications Carrier (ETC) was approved and 63 wireline and wireless carriers'

approvals as ETCs were continued. In addition, two companies had their ETC status revoked, four companies relinquished their ETC designation, and two voluntarily withdrew their ETC applications. The Commission also continued to be actively involved in ensuring the smooth February 1, 2015 transition of the Telecommunications Relay Services (TRS). The Commission issued two Show Cause orders in 2015 related to the TRS transition with one case being successfully resolved. The other case is ongoing. The Division also handled 1,260 video/cable complaints and inquiries during 2015. The Division continues to handle the daily administration of the Intrastate Switched Toll Access Restructuring Mechanism, taking in contributions from 252 providers and disbursing \$15,792,168.54 to 35 eligible carriers in the fiscal year. The Division also continued its work with Connect Michigan to expand broadband availability, adoption, and use throughout Michigan. Additional information about the project is available on the Commission website at www.michigan.gov/broadbandmapping.

MAHS Administrative Law Judges

During 2015, MAHS Administrative Law Judges (ALJs) assigned to Commission proceedings conducted 210 days of hearings and issued 36 Proposals for Decision (PFDs). In addition, 137 other cases were processed and transmitted to the Commission for its consideration. Nine rate cases were initiated or completed during the year, with a PFD issued in September addressing Consumers Energy Company's request for an additional \$163 million in annual revenue for its electric service, and a PFD issued in October addressing DTE Electric Company's request for an additional \$370 million in annual revenue. Also, the ALJs prepared reports to the Legislature and issued PFDs in two cases, as required by PA 169 of 2014, addressing cost of service and rate design issues for Consumers Energy Company and DTE Electric Company.

Media and Public Information

The Commission utilizes a Michigan Agency for Energy staff member to provide media and public information services. Through this staff member, the Commission issued 73 press releases covering 93 Commission orders and 19 news releases related to Commission programs and activities. In addition, the Commission provided information and assistance to over 400 media contacts.

For more information about Commission activities, please visit the Commission's website at <http://www.michigan.gov/mpsc>.