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February 1, 2008

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Governor of Michigan

Honorable Members of the Senate

Honorable Members of the House of Representatives

The enclosed annual report for 2007, *Status of Electric Competition in Michigan*, is submitted on behalf of the Michigan Public Service Commission (Commission) in accordance with Section 10u of 2000 PA 141, MCL 460.10u. The report is available on the Commission's Web site.

During 2007, competition in Michigan's electric market showed some stability and a slower decline following two years of significant change. The electric choice program in Consumers Energy Company's territory experienced a five percent annual increase in electric megawatt (MW) load. Conversely, the electric choice program in The Detroit Edison Company territory saw a 20 percent annual MW load decline. This decline in electric choice in Detroit Edison's service territory was attributed, in part, to higher wholesale electricity prices and some uncertainty of changes to PA 141.

To date, Michigan is one of about 20 States that has a competitive electric market. In comparison to other electric choice states, Michigan's average retail electricity price ranked sixth and seventh in 2007, based on customer class. If compared to the 10 largest U.S. states, Michigan was benchmarked as having the fourth lowest average retail electricity rates for residential and industrial customers and the third lowest for commercial customers. The report shows that since 2000 the relative ranking of Michigan's utility rates for residential, commercial, and industrial customer classes, as compared to other states, has improved.

In 2007, the Commission issued 38 orders to further establish the framework for Michigan's electric customer choice programs and implement the provisions of PA 141.

Highlights of the report include:

- Approximately 4,800 commercial and industrial customers in the Detroit Edison and Consumers Energy service territories participated in Michigan's electric customer choice programs.

- About four percent of electricity sales in the Detroit Edison and Consumers Energy service areas were supplied by Alternative Electric Suppliers (AESs), down from about six percent in 2006.
- There were 28 licensed AESs in Michigan throughout 2007.
- Electric standards were developed for interconnections between independent power producers and public utilities.
- For the first time in 10 years, Consumer Standards and Billing Practices for electric and gas service were significantly revised.
- The Low-Income and Energy Efficiency Fund grants awarded \$72 million for low-income financial assistance and \$20 million for low-income energy efficiency.
- The Commission unveiled an improved “Be WinterWise” Web site, explaining energy assistance programs and energy efficiency tips.
- Almost 12,000 customers participate in Consumer Energy’s Green Generation pricing program; and over 6,800 in Detroit Edison’s GreenCurrents program. In addition, Constellation NewEnergy, a licensed AES, continued to offer a “Green-e Renewable Energy” product; and Spartan Renewable Energy LLC, a licensed AES, allowed customers to pay a premium for power from renewable energy resources.
- The Commission supports legislation to promote effective energy efficiency programs for utility customers and to establish a renewable portfolio standard to increase the percentage of electricity in Michigan that is generated by renewable resources.

As this report goes to print, the Legislature is working on a comprehensive package of reforms and updates to existing acts governing the electric industry. Policy decisions in all of the areas under consideration can have complex ramifications for the citizens and economy of Michigan. Statutory changes resulting from the legislative deliberations in 2008 will affect the status of electric competition in Michigan for many years to come. The Commission remains committed to working with legislative members and staff to help ensure that the best possible public policy for Michigan is achieved.

Very truly yours,

Orjiakor N. Isiogu, Chairman  
Michigan Public Service Commission

Monica Martinez, Commissioner  
Michigan Public Service Commission

Steve Transeth, Commissioner  
Michigan Public Service Commission

# **STATUS OF ELECTRIC COMPETITION IN MICHIGAN**

Report for Calendar Year 2007

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

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

**February 1, 2008**

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## **Introduction**

The Customer Choice and Electricity Reliability Act (2000 PA 141, referred to throughout as “PA 141”) requires the Michigan Public Service Commission (Commission) to file a report with the Governor and the Legislature by *February 1* each year. The report is to include a discussion of the following topics (*PA 141, Section 10u; MCL 460.10u*):

- a) The status of competition for the supplying of electricity in Michigan.
- b) Recommendations for legislation, if any.
- c) Actions taken by the Commission to implement measures necessary to protect consumers from unfair or deceptive business practices by utilities, alternative electric suppliers, and other market participants.
- d) Information regarding customer education programs approved by the Commission to inform customers of all relevant information regarding the purchase of electricity and related services from alternative electric suppliers.

An important goal of PA 141 is to introduce competition into the electric industry by offering Michigan customers the opportunity to purchase electric generation services from either an alternative electric supplier (AES) or their incumbent electric provider. The Commission does not regulate the prices charged by AESs for their services. Thus, customers may choose an AES based upon its rates or they may choose a regulated utility rate.

## **I. Status of Competition for Electric Supply**

### **A. Overview**

Full Retail Open Access (ROA) (electric customer choice) for all customers of Michigan investor-owned electric utilities took effect on January 1, 2002. Thus, 2007 was the sixth full year of electric customer choice in Michigan. Customers in Michigan are currently participating in electric choice programs offered by Consumers Energy Company (Consumers Energy) and The Detroit Edison Company (Detroit Edison). Consumers Energy and Detroit Edison provide distribution service to almost 90 percent of the state's electric customers. To date, Alternative Electric Suppliers (AES) have not chosen to offer services to customers of the smaller jurisdictional utilities.

#### **1. Michigan's Electric Choice Program**

During 2007, Michigan's electric customer choice program was available to all customers of regulated electric utilities, excluding members of electric cooperatives with loads of 50 kilowatts (kW) or less.<sup>1</sup> As of December 31, 2007, about 4,835 commercial and industrial customers were participating in Michigan's electric choice programs. This represented over four percent or 311,310 megawatt-hours (MWh) of the total sales in energy usage of the combined Detroit Edison and Consumers Energy service territories (down from about six percent in 2006).

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<sup>1</sup> MCL 460.10x and MCL 460.10y provide different schedules for implementation of customer choice for cooperatively owned and municipal electric utilities. On January 30, 2007, the Commission approved the Michigan rural electric cooperatives to continue their customer choice program for commercial and industrial members with peak loads of 200 kW and above, and for demand metered commercial and industrial members with peak loads of 50-100 kW pursuant to Commission order in Case No. [U-13698](#). Up to 30% of members with peak loads of 50-199 kW for each cooperative shall be permitted to switch pursuant to the September 11, 2003 Commission order. Municipal utilities are not regulated by the MPSC. Under MCL 460.10y, the governing body of a municipally owned utility determines whether it will permit choice programs in its service territory.

Commercial and industrial customers in the service territories of Detroit Edison and Consumers Energy accounted for virtually all of the participation in the electric choice programs. A small number of higher use residential customers were enrolled in Detroit Edison's electric choice program. However, on September 24, 2007, Universal Gas and Electric Corporation (UGE) filed an application with the Commission requesting a license as an AES and indicated plans to serve residential customers. On January 29, 2008, the Commission issued an order in this case.

None of the 28 AESs licensed in Michigan offered electric choice services to customers in service territories of the smaller jurisdictional electric utilities. As recognized in the September 11, 2003 and January 30, 2007 orders in Case No. U-13698, retail competition has yet to take hold in areas served by rural electric cooperatives. Under Section 10x of PA 141, it was appropriate for the Commission to defer full-fledged choice programs for residential and small commercial member-consumers until such time as retail markets developed and AESs expressed interest in serving those loads.

Competition in the electric marketplace in Michigan, typically measured for the electric choice programs in terms of numbers of customers and load served by AESs as compared to total number of customers and load, showed an overall slower decline and some stabilization in 2007 compared to the two previous years of significant decline. The total number of choice customers and associated megawatts (MW) of load receiving service under the choice programs were approximately 33 percent and 14 percent less than the previous year, respectively. The slower decline in choice enrollments and electric load may be at least partially attributable to the orders of the Commission issued in 2006 that allowed Consumers Energy and Detroit Edison to roll prior year under- and over-recoveries into future power supply cost recovery (PSCR) plans.

These orders enabled prompt and accurate price signals for customers operating in competitive electric markets.<sup>2</sup>

Although the number of electric customers participating in Michigan's electric choice programs during 2007 was more stable, the trend may change based on changes in wholesale energy prices and incumbent electric utilities' PSCR factors in 2008. The electric market experienced another increase in average annual wholesale energy prices in 2007. Although there are other factors, natural gas prices play a significant role in determining electricity prices.<sup>3</sup> Wholesale electric price trends can be attributable, in part, to the overall warmer weather experienced in the summer of 2007. Chart 1 (Appendix 1, p. 1) depicts the change in wholesale energy prices.

## **2. Electric Prices**

The status of competitive retail access in the United States has remained somewhat constant for the past several years with some exceptions. In 2007, several states amended their electric restructuring legislation and limited electric choice to large customers, while other states discussed the idea of re-regulation.

Unlike deregulated states, located primarily in the eastern U.S., Michigan's current retail electric market consists of a regulated utility sector and a competitive customer choice sector that maintains regulation of utility generation costs. As a result, Michigan's ranking of rates relative to other states has improved since PA 141.

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<sup>2</sup> *In the matter of the application of Consumers Energy Company for approval of a power supply cost and for authorization of monthly power supply cost recovery factors for calendar year 2007*, Case No. U-15001 ([Order, December 21, 2006](#)), and *In the matter of the application of The Detroit Edison Company for authority to implement a power supply cost recovery plan in its rate schedules for 2007 metered jurisdictional sales of electricity*, Case No. U-15002 (Orders, [December 21, 2006](#) and [August 21, 2007](#)).

<sup>3</sup> ["The Impact of Fuel Costs on Electric Power Prices"](#) – Kenneth Rose, June 2007.



In comparison to the weighted average of the 10 largest U.S. states, Michigan had lower retail electricity rates in 2007. Michigan's electric rates were also below the national weighted average for two customer classes: residential and commercial. Michigan's weighted average industrial retail rate was \$0.0652/kWh, which was slightly above the national average of \$0.0638/kWh. As compared to other states with restructured electric markets, Michigan's retail electric rates rank seventh lowest for the residential sector (improved from ninth in 2006), sixth lowest for the commercial sector (improved from seventh in 2006), and seventh lowest for the industrial sector (improved from eighth in 2006).

## **B. Alternative Electric Suppliers**

At the end of 2007, there were 28 licensed AESs in Michigan, one more than in 2005 and 2006. The 2007 activities reflect the addition of three new licenses, the relinquishment of two licenses, and amendments of two others. During 2007, the Commission approved AES licenses for Liberty Power Holding, LLC (U-15139 dated April 24, 2007), Liberty Power Delaware, LLC (U-15140 dated April 24, 2007), and Spartan Renewable Energy, Inc. (U-15309 dated September 18, 2007). The Commission approved the request of the Mirant Americas Retail Energy Marketing (Mirant Energy Trading, LLC) to relinquish its license on August 7, 2007 in Case No. U-13516 and the revocation of Dorman Energy, LLC's license in Case No. U-13281, September 25, 2007. In addition, FirstEnergy Solutions license was amended (U-13244 dated July 26, 2007) to end its parent company's guarantee of its financial obligations in light of its attainment of an investment-grade bond rating; and the UP Power Marketing LLC license was amended to expand its potential customer base beyond the White Pine Copper Refinery (U-14594 dated October 25, 2007).

In 2007, there were five AESs actively serving commercial and industrial customers in the Consumers Energy territory compared to eight in the prior year. There were 10 AESs actively serving commercial and industrial customers in the Detroit Edison territory during 2007 as compared to 13 in 2006. All of the AESs serving customers in the Consumers Energy service territory were also active in the Detroit Edison territory in 2007. *See* Table 1 (Appendix 1, p. 2), Table 2 (Appendix 1, p. 5), and Appendix 3 for further details.

### **C. Load Served by the Retail Open Access Programs**

As noted, retail open access is currently serving primarily commercial or industrial loads. As shown in Charts 3 and 5 (Appendix 1, pp. 4 and 7), industrial customers represent the majority of Consumers Energy's retail open access program and commercial customers represent the largest part of Detroit Edison's program. Typical choice participants are large industrial manufacturers and mid-size commercial customers including retailers, restaurants, healthcare, school systems and other service providers.

#### **1. Consumers Energy Electric Customer Choice Program**

The numbers of customers and the electricity demand in MW served by each AES in the Consumers Energy electric customer choice program at the end of each year is shown in Table 1 (Appendix 1, p. 2). The electric choice load served in the Consumers Energy service territory at year-end 2007 totaled 315 MW. This is 66 percent less than the 926 MW served at the high point in 2004. Similarly, the 672 customers served by AES providers in 2007 reflects approximately a 54 percent reduction from the 1,473 customers served in 2004.

Appendix 1, Chart 3 (p. 4), shows average monthly ROA sales in MWh as a percentage of total sales (including direct utility sales). By that measure, for Consumers Energy customers,

almost four percent of commercial sales (similar to the 2006 level) and about seven percent of industrial MWh sales (down from nine percent in 2006) are now served through the electric choice program. By customer class, the mix of Consumers Energy electric choice sales is about 36 percent commercial and 64 percent industrial customers. There was no residential customer participation in the Consumers Energy service territory in 2007.

Additional information depicting trends in the Consumers Energy customer choice program is included in Appendix 1. Chart 2 (Appendix 1, p. 3) shows the trends in numbers of customers participating and MW served in the Consumers Energy electric choice program on a monthly basis, from July 2006 through December 2007. The information is broken down by customers and electric load in-service in the choice program.

## **2. The Detroit Edison Electric Customer Choice Program**

The numbers of customers and the electricity demand in MW served by each AES in the Detroit Edison electric customer choice program at the end of the year is shown in Table 2 (Appendix 1, p. 5). The electric choice load served in the Detroit Edison service territory at year-end 2007 totaled 708 MW. This is over 70 percent less than the 2,378 MW served at the high point in 2004. Similarly, the number of customers served by AES providers is greatly reduced from the high point in 2004. The 4,163 customers receiving service in 2007 represent a 76 percent reduction since 2004, when the number of customers was 17,241.

Appendix 1, Chart 5 (p. 7) shows average monthly ROA sale in MWh as a percentage of total sales (including direct utility sales). By that measure, Detroit Edison customers, about eight percent of commercial MWh sales (down from 13 percent in 2006) and about five percent of industrial MWh sales (down from eight percent in 2006) are now served through the electric customer choice program. By customer class, the mix of Detroit Edison electric choice sales is

about 71 percent commercial and 29 percent industrial customers. Residential customer participation in the Detroit Edison service territory in 2007 was negligible.

Additional information depicting trends in the Detroit Edison customer choice program is included in Appendix 1. Chart 4 (Appendix 1, p. 6) shows the trends in numbers of customers participating and MW served in Detroit Edison’s electric choice program on a monthly basis, from July 2006 through December 2007. The information is broken down by customers and electric load in-service in the choice program.

#### **D. Benchmarking Electric Prices**

Michigan remained one of about 20 states that had full or limited restructuring of retail electricity markets in 2007. During the year, the electric restructuring laws were amended in Montana and Virginia.<sup>4</sup> In both states, the new laws limited electric choice enrollment to large industrial customers with loads over five megawatts. Other states analyzed and proposed options to re-regulate and restore the states’ influence over electric rates and new generation construction, *e.g.* Maryland and Illinois.<sup>5</sup>

Unlike some states (such as California) which required divestiture of generation assets as part of their restructuring regime, Michigan’s PA 141 did not require this. However, in 2007, Consumers Energy sold the Palisades Nuclear Power Plant to Entergy Nuclear Palisades in 2007. The Palisades generation plant will continue to provide electric supplies to Michigan customers for 15 years. Consumers Energy projects an estimated \$700 million savings in energy costs to customers from the sale of this generation plant.

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<sup>4</sup> [House Bill 25](#) (Chapter Number 491) was signed into Montana law on May 14, 2007; [House Bill 3068](#) (CHAP0888) was signed into Virginia law on April 11, 2007.

<sup>5</sup> “[State Analysis and Survey on Restructuring & Re-regulation](#)” prepared for Maryland Public Service Commission on November 30, 2007.

Michigan's unique restructured market approach appears to mitigate some of the undesirable impact of rising retail electric rates even though electric rates are increasing in many states. This year's report again provides additional benchmarking data that compares Michigan's electric prices to those of other states. This analysis is reflected in the charts contained in Appendix 1 of the report. Chart 6 (Appendix 1, Fig. 1-6, pp. 9, 10, and 11) reflects the average 2000 and 2007 residential, commercial, and industrial rates of the various states. Michigan's retail rates ranked from sixth to seventh lowest (varying by customer class) as compared to other electric restructured states, an improvement from the 2000 report.

Additionally, a comparison of the average retail electricity rates for the 10 largest states by population (IL, GA, OH, MI, PA, FL, TX, NJ, CA, and NY) indicates that Michigan had the third and fourth lowest retail electric rates of this group (based on customer class) during 2007. This is shown on Chart 7 (Appendix 1, Fig. 1-3, p. 12 and 13). Illinois had the lowest residential and industrial rates in 2006, but this low standing ended with the 24 percent to 55 percent rate increase implemented in 2007. The Illinois rate increase resulted in comparable residential retail rates to Michigan and higher industrial rates than Michigan in 2007.

Michigan's retail electricity rates also compare favorably to the 10 largest states over time from 2000 to 2007 as shown in Chart 8 (Appendix 1, Fig. 1-3, pp. 14 and 15). The weighted average residential retail rate was \$0.1034/kWh in 2007 compared to the 10 largest states average of \$0.1206/kWh and the national average of \$0.1065/kWh. A similar comparison of commercial retail rates showed Michigan's weighted average rates of \$0.0898/kWh compared to the 10 largest states averaging \$0.1090/kWh and the national average at \$0.0968/kWh.

Although the industrial retail rates of \$0.0652/kWh exceeded the national weighted average rate of \$0.0638/kWh, Michigan's rates were well below the \$0.0733/kWh for the 10 largest states in 2007.<sup>6</sup>

## **II. Commission Action Related to Electric Customer Choice and Consumer Protection**

In 2007, the Commission issued 38 orders to further establish and implement the framework for Michigan's electric customer choice programs and the provisions of PA 141.<sup>7</sup> During the year, the Commission issued orders that approved licenses for AESs, adjusted securitization charges, fined companies for Code of Conduct violations, approved generation plant security and nuclear decommissioning costs, improved interconnections standards, and revised residential billing rules. The Commission also issued orders seeking input on renewable energy programs and net metering staff reports, approved power purchase agreements that promote renewable energy and long-term energy supplies, and authorized Low-Income and Energy Efficiency Fund grants.

### **A. Commission Orders Issued**

The Commission orders issued in 2007 that specifically relate to the implementation of PA 141 can be categorized as follows:

- Three orders approving new AES licenses;
- Two orders approving relinquishment or revocation of AES licenses;
- Two orders amending or expanding an AES license;
- Two orders adjusting securitization charges;
- One order amending the Rural Electric Cooperatives customer choice tariff;
- One order implementing a new power supply cost recovery method;
- Six orders adjusting Code of Conduct and billing rules provisions;

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<sup>6</sup> Source: <http://www.eia.doe.gov/fuelelectric.html>.

<sup>7</sup> Commission orders are available on the Commission Web site at [www.dleg.state.mi.us/mpsc/orders/electric/](http://www.dleg.state.mi.us/mpsc/orders/electric/). Documents and orders associated with many cases are available in the MPSC Electronic Case Filings system at <http://efile.mpsc.cis.state.mi.us/efile/cases>.

- Three orders addressing electric generation and transmission issues;
- Five orders approving power purchase agreements;
- One order enhancing security costs at a nuclear power plant;
- Seven orders relating to energy efficiency and renewable energy programs;
- Three orders distributing the Low-Income and Energy Efficiency Fund; and
- Two orders protecting customers from service provider disputes.

See Appendix 2 for more detail on these orders.

On January 30, 2007, the Michigan rural electric cooperatives recommendations were approved in Case No. U-13698 to continue the customer choice program for commercial and industrial member-consumers with peak loads of between 200 kW and 999 kW and demand metered commercial and industrial member-consumers with peak loads between 50 kW and 199 kW. Up to 30 percent of the total number of member-consumers between 50 kW and 199 kW for each cooperative can switch pursuant to the September 11, 2003 Commission order.

On February 27, 2007, the Commission approved Staff's recommendations to improve the electric interconnections between independent power producers and public utilities.<sup>8</sup> As a result, Staff established two work groups: one to develop faster and less complex interconnection procedures for 10 kW and under projects; and another for interconnection projects of 30 kW or larger. In addition, the Michigan Renewable Energy Program and Ratemaking and Net Metering Committee was ordered to form a task force to seek a new consensus and report on a simplified approach for net metering for investor based systems smaller than 10 kW. In response, the *Staff Report on Net Metering and Electric Utility Interconnection Issues* was filed in Case No. U-15113 on October 1, 2007.

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<sup>8</sup> *In the matter, on the Commission's Own Motion, to commence an investigation into the interconnection of independent power producers with a utility's system, Case No. U-15113*; and, *In the matter, on the Commission's Own Motion, to commence a rulemaking proceeding to amend R460.481 to 460.489, Case No. U-15239* - Orders issued February 27, 2007.

For the first time in 10 years, the Consumer Standards and Billing Practices for Electric and Gas Residential Service was significantly updated.<sup>9</sup> Several highlights of the rule changes included customer shutoff protections for military personnel and their families; and the space-heating season for the Winter Protection Plan was changed from December 1 through March 31 to November 1 through March 31. The utility companies were also encouraged to extend shutoff protection programs throughout the entire year. In fact, on November 8, 2007, Detroit Edison and Michigan Consolidated Gas Company received approval from the Commission to offer a year-round shutoff protection program.<sup>10</sup> The program expanded eligibility for shut-off protection to low-income customers at or below 200 percent of the federal poverty level, and permits senior citizens age 62 and above to apply.

In response to complaints filed by Commerce Energy, Inc., and First Energy Solutions Corporation in Case Nos. U-15223 and U-15081, the Commission approved settlement agreements and agreed to fine The Detroit Edison Company \$50,000 in each case. Detroit Edison was issued the fines for alleged violations of a retail access service tariff agreement and use of historical usage data for comparing regulated rates to AES pricing without customer request or authorization.

There were no substantive changes in 2007 in the “return-to-service” provisions previously established in rate cases. Those provisions continue to require choice customers to commit to taking either unbundled or full service from the utility by the deadline (usually December 1) in advance of the summer peak season. However, both Consumers Energy in Case No. U-15245 and Detroit Edison in Case No. U-15244 have filed general rate case

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<sup>9</sup> *In the matter, on the Commission's own motion, to promulgate rules governing consumer standards and billing practices for electric and gas residential service*, Case No. U-14851, [Order issued June 26, 2007](#).

<sup>10</sup> *In the matter of the application of The Detroit Edison Company and Michigan Consolidated Gas Company seeking approval to implement its Shut-Off Protection Program for low income and senior customers*, Case No. U-15444, [Order issued November 8, 2007](#).



applications proposing changes to the electric customer choice program tariffs. These two general rate cases are pending before the Commission.

## **B. Low-Income Energy Efficiency Fund**

The Low-Income Energy Efficiency Fund (LIEEF) was created by PA 141. The Commission administers the fund via approvals of grants to qualifying organizations. The purpose of the LIEEF was to provide shut-off and other protection for low-income customers and to promote energy efficiency by all customer classes.

The LIEEF originally was funded from securitization savings in excess of the amount needed to achieve a five percent electric rate reduction for residential and business customers. Detroit Edison was the only electric utility whose securitization savings exceeded the amount necessary to fund the rate reduction required by PA 141. Thus, Detroit Edison was the only company contributing to the LIEEF. The securitization savings were no longer available in 2004.

In November 2004, the Commission approved, in Case No. U-13808, Detroit Edison's request to establish a permanent LIEEF funding level in its electric rates of approximately \$40 million annually. The Commission further extended the LIEEF funding by approving Consumers Energy's request to contribute \$27 million annually through the Company's electric rates in Case No. U-14347 (December 2005) and another \$17 million annually through its gas rates in Case No. U-14547 (November 2006).

On May 22, 2007, the Commission approved a Low-Income and Energy Efficiency Fund grant totaling \$22 million to the Michigan Department of Human Services to provide low-

income energy assistance.<sup>11</sup> In August 2007, Commission also awarded an additional \$50 million in low-income energy assistance grants to eight organizations, and \$20 million in low-income energy efficiency grants to nine agencies.<sup>12</sup>

### **C. Power Supply Cost Recovery Annual Over/Under Recoveries**

In December 2006, the Commission addressed the issue of the delayed cost recovery that may have provided artificially low price signals to choice customers by approving Consumers Energy's and Detroit Edison's proposals to roll-in prior year under and over-recoveries into their future 2007 PSCR plans. The Commission approved the new roll-in methodology in interim orders issued in 2006 that allowed for a more timely adjustment for over- and under-recoveries of power supply costs and addressed price signals for customers operating in the competitive electric market. On August 21, 2007, The Detroit Edison Company case was approved to finalize the future use of the new roll-in methodology.<sup>13</sup> A similar case for Consumers Energy remains pending before the Commission.<sup>14</sup>

### **III. Commission Action on Customer Education**

In 2007, the Commission unveiled an improved "Be WinterWise" Web site featuring a webcast with Commissioner Monica Martinez explaining available energy assistance programs and energy efficiency tips.<sup>15</sup> Commissioner Martinez also issued a press release and participated in a region-wide effort encouraging Michigianians to "Change a Light" to save on electric bills by switching to energy efficient lighting products.

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<sup>11</sup> *In the matter, on the Commission's own motion, regarding administration and operation of the Low-Income and Energy Efficiency Fund*, Case No. U-13129, [Order issued May 22, 2007](#).

<sup>12</sup> Case No. U-13129, [Order issued August 21, 2007](#).

<sup>13</sup> Case No. U-15002, [Order issued August 21, 2007](#).

<sup>14</sup> Case No. U-15001, [pending case](#).

<sup>15</sup> Be WinterWise [webcast](#) on the MPSC Web site.

During the fall of 2007, the Commission held a series of Consumer Forums in six cities throughout the state to inform consumers about the latest information on electric and natural gas rates for the winter. The forum cities included: Mt. Pleasant, Dearborn, Battle Creek, Detroit, Gaylord, and Ludington.

## **IV. Electric Supply Infrastructure Serving Michigan**

### **A. Regional Transmission System Activities**

Under PA 141, Section 10w, investor-owned electric utilities in Michigan were required to join a Federal Energy Regulatory Commission (FERC) approved regional transmission organization (RTO), or divest transmission assets to an independent transmission owner. In Michigan, transmission assets formerly owned by Detroit Edison and Consumers Energy are now owned by separate subsidiaries of International Transmission Company (ITC), now referred to as “ITC Holdings Corp,” an independent transmission company.<sup>16</sup> The American Transmission Company (ATC) was formed from transmission assets formerly owned by electric utilities in the Upper Peninsula and Wisconsin. These stand alone investor-owned transmission companies are members of the Midwest Independent Transmission System Operator (MISO) which is an RTO. American Electric Power (AEP), doing business in the southwest corner of Michigan as Indiana Michigan Power Company, is a member of another RTO, the PJM Interconnection.

#### **1. Regional Electric Reliability**

Despite being hot and humid, the 2007 summer season, on average, was slightly cooler than the 2006 summer in the MISO regions. The 2007 summer instantaneous system-wide peak

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<sup>16</sup> Michigan Transco Holding LP, FERC Docket No. EC06-123. On September 21, 2006, FERC approved the acquisition of Michigan Transco, the parent company of METC, by ITC. METC completed its full operational separation from Consumers Energy on May 1, 2007.

load for MISO occurred on August 1, 2007 reaching 104,292 MW, this was lower than the 2006 summer instantaneous system-wide peak load of 116,273 MW occurring on July 31, 2006.<sup>17</sup> Similarly, Michigan’s electric utilities experienced reductions in peak demand during the summer of 2007. Consumers Energy’s highest demand for electricity, including choice customers, was 8,454 MW (down from 8,944 MW in 2006) on August 1, 2007. Detroit Edison’s peak electricity demand, including choice customers, was 12,313 MW on August 2, 2007, which was also below the previous year’s record high of 12,778 MW.

At the beginning of the year, the Commission directed all regulated electric utilities, AESs, including Wolverine Supply Cooperative, Inc., and Wabash Valley Power Association to file assessments of their ability to meet customers’ expected electric requirements in 2007. In Case No. U-15163, the Commission also solicited comments from MISO, ATC, and ITC on issues relevant to the investigation. The company reports filed April 13, 2007 indicated that the companies had taken reasonable and necessary measures to ensure delivery and reliability of power to its customers, particularly for the summer of 2007.

The Commission also ordered Staff to convene a statewide “Smart Grid” collaborative process to monitor national smart power grid infrastructure developments.<sup>18</sup> Smart Grid developments being researched include emerging technologies designed to improve the efficiency, reliability and security of the electric grid.

## **2. Federal Energy Regulatory Commission Actions**

There were several important orders issued by FERC in 2007, of which several related to the implementation of the Energy Policy Act of 2005. On February 15, 2007, FERC issued

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<sup>17</sup> “Midwest ISO Stakeholder Informational Forum” slide presentation provided by Bill Malcolm, December 11, 2007.

<sup>18</sup> *In the matter, on the Commission's own motion, commencing a proceeding to implement smart grid infrastructure initiatives*, Case No. U-15278, [Order issued April 24, 2007](#).

Order 890, a final rule reforming its open-access transmission regulatory framework established in Order 888 to prevent undue discrimination and preference.<sup>19</sup> FERC invited comments on four areas including: 1) the role of demand response in organized markets; 2) increasing opportunities for long-term power contracts; 3) strengthening market monitoring; and 4) the responsiveness of RTOs to customers and stakeholders.

On December 28, 2007, FERC issued Order 890-A on the compliance filings of regulated entities, including RTOs, with nine transmission planning principles to ensure joint and open transmission planning for all affected entities. FERC also approved two orders on long term transmission rights that are critical to utilities' wholesale customers for planning purposes and providing price certainty.<sup>20</sup> In addition, FERC finalized a series of new market-based rate reforms to prevent the exercise of market power. These FERC actions help maintain and improve electric transmission costs in Michigan.<sup>21</sup>

## **B. 21<sup>st</sup> Century Electric Energy Plan**

On April 6, 2006, Governor Granholm issued [Executive Directive No. 2006-2](#), calling for the development of a comprehensive plan for meeting the state's electric power needs. The directive asked for recommendations to ensure the state meets its growing electric needs and keeps electric costs competitive. The final report, [Michigan's 21<sup>st</sup> Century Electric Energy Plan](#), was issued on January 31, 2007. The report addresses the need for new electric generating plants, renewable and alternative energy programs, and energy efficiency programs to provide for Michigan's energy future.

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<sup>19</sup> On February 15, 2007, FERC approved Docket Nos. RM05-17 & RM05-25.

<sup>20</sup> On May 17, 2007, FERC approved Docket No. ER07-478 & ER-06-1218, *et al.*

<sup>21</sup> On June 21, 2007, FERC approved Docket No. RM04-7-000.

### **C. Generating Plant**

As amended in 2003, the Customer Choice and Electricity Reliability Act allows for the recovery of reasonable and prudent costs of new and enhanced security measures required by state or federal law, including providing reasonable security from an act of terrorism. On April 3, 2007, the Commission approved a settlement agreement that authorized The Detroit Edison Company to recover \$9,144,940 in enhanced security costs for the period September 11, 2001 through December 31, 2005.<sup>22</sup>

### **D. Power Purchase Agreements**

On March 27, 2007, the Commission issued an order approving a power purchase agreement between Consumers Energy and Entergy Nuclear Palisades, LLC. In this order, Consumers Energy was approved for receipt of electricity output from the Palisades nuclear power plant for 15 years.<sup>23</sup>

Another power purchase agreement was approved by the Commission between Wisconsin Electric Power Company's (We Energies) and FPL Energy Point Beach, LLC.<sup>24</sup> FPL Energy proposed buying the Point Beach Nuclear Power Plant and refunding to customers a portion of the proceeds from the sale of the plant.

The Commission also approved a settlement agreement for power purchases between Indiana Michigan Power Company and Fowler Ridge Wind Farm.<sup>25</sup> The agreement permits

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<sup>22</sup> *In the matter of the application of The Detroit Edison Company for recovery of enhanced security costs for electric generating facilities*, Case No. U-15160, [Order issued April 3, 2007](#).

<sup>23</sup> *In the matter of the application of Consumers Energy Company for approval of a Power Purchase Agreement and for other relief in connection with the sale of the Palisades Nuclear Power Plant and other assets*, Case No. U-14992, [Order issued March 27, 2007](#).

<sup>24</sup> *In the matter of the application of Wisconsin Electric Power Company d/b/a We Energies for approval pursuant to Section 6(j)13(b) of 1982 PA 304 and eligible facility designation pursuant to Sec. 1262 of the Public Utility Holding Company Act of 2005*, Case No. U-15220, [Order issued September 25, 2007](#).

<sup>25</sup> *In the matter of the application of Indiana Michigan Power Company for approval pursuant to Sec.6j(13)(b) of 1982 PA 304 of capacity charges in excess of six months associated with a power purchase agreement with Fowler*

Indiana Michigan Power to include the costs associated with the power purchase agreement and the running of a wind farm in customer bills.

### **E. Electric Power Production**

The electric utilities in Michigan generated 86 percent of the electricity consumed in Michigan in 2007. *See* Table 3 (Appendix 1, p. 8). The Palisades Nuclear Power Plant (representing 778 MW) was included in the electric utilities' installed category figures identified in the table. On April 11, 2007, the sale of the Palisades Nuclear Power Plant to Entergy was completed.

### **F. Michigan Renewables Energy Program**

The state legislature directed the Commission in Section 10r of PA 141 to establish the Michigan Renewables Energy Program (MREP). On November 8, 2007, to further promote the use and development of renewable energy in the state, the Commission sought public comments on the MREP Staff's *Net Metering Program Report*, the *2006 Data Report*, and the *2006 Annual Report*.<sup>26</sup>

On April 3, 2007, the Commission approved Detroit Edison's revised renewable energy program and placed conditions on the use of out-of-state renewable energy certificates (REC).<sup>27</sup> A REC is a tradable certificate of proof that a unit of electricity has been generated by a renewable-fueled source and then sold to an end-user in the state. In this order, Detroit Edison allows customers to voluntarily agree to pay a price premium of two cents per kWh for all their

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*Ridge Wind Farm LLC*, Case No. U-15361, [Order issued December 4, 2007](#).

<sup>26</sup> *In the matter, on the Commission's own motion, to solicit comments regarding the 2006 Michigan Renewable Energy Program Report, Data Report, and the Net Metering Program Report*, Case No. U-15440, [Order issued November 8, 2007](#).

<sup>27</sup> *In the matter of the application of The Detroit Edison Company to implement a renewable resources program*, Case No. U-14569, [Order issued April 3, 2007](#).

energy delivered by Detroit Edison. A customer also has the option to purchase blocks of 100 kWh for an additional \$2.50 each. The program is called GreenCurrents. By the end of 2007, enrollment in GreenCurrents reached 6,822 customers.

During the year, Consumers Energy offered a voluntary approach to the expansion of renewable energy production and consumption in Michigan by allowing customers to pay a price premium and receive a greater percentage of their power from renewable energy resources. On November 8, 2007, the Commission authorized Consumers Energy to offer a new payment option for customers who purchase a minimum of 8,000 renewable resource program participation certificates per month.<sup>28</sup> As of December 2007, there were about 12,000 customers participating in Consumers Energy's Green Generation pricing program.

In addition, a "Green-e Renewable Energy" product was offered by Constellation NewEnergy, an AES licensed in Michigan. These renewable energy products give commercial and industrial electric choice customers an option to select electricity from renewable energy resources such as wind, solar, biomass, landfill, and hydroelectric.<sup>29</sup> Spartan Renewable Energy LLC, a licensed AES in Michigan, allowed customers to pay a premium for a percentage of their power from renewable energy resources, primarily wind energy.

## **V. Recommendations for Legislation**

The Legislature is addressing many fundamental industry constructs that fall, or may fall, within the Commission's electric jurisdiction. Among the issues being considered are: the extent to which retail customers may continue to purchase electricity from non-utility suppliers and options to encourage the construction of new power plants, such as authorizing the Commission

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<sup>28</sup> *In the matter of the application of Consumers Energy Company for approval of a modification of the renewable resources program tariff*, Case No. U-15433, [Order issued November 8, 2007](#).

<sup>29</sup> Refer to Web site: <http://www.newenergy.com>.

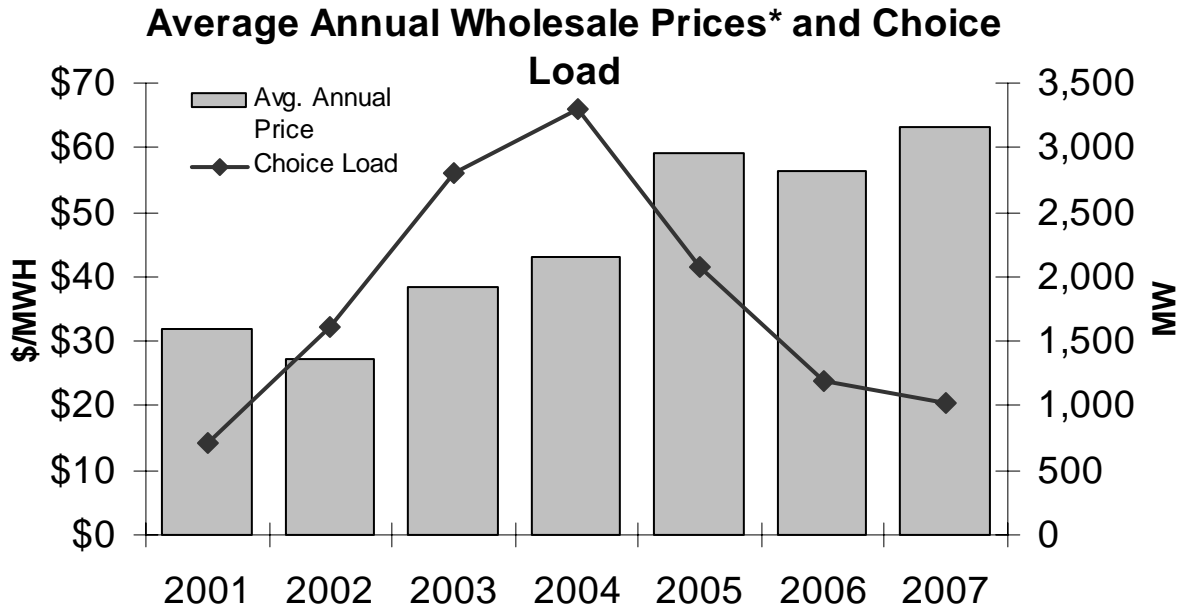


to grant “certificates of need” for new generation. Other significant topics being pursued include bills that could affect the sale of existing generating plants; ways to streamline the process used to set electric rates; proposals that would affect the options for electric rate design and the possibility of granting the Commission the ability to consider issues related to mergers and acquisitions of jurisdictional utilities. Policy decisions in all of these areas can have complex ramifications for the citizens and economy of Michigan. The Commission remains committed to working with Legislative members and staff to help ensure that the best possible public policy for Michigan is achieved.

As this report goes to print, the Legislature is working on a multi-bill package of reforms and updates to existing acts governing the electric industry. Most, if not all, of the bills will, if enacted, affect the status of electric competition in Michigan for many years to come. The Commission has already announced its support for bills to promote effective energy efficiency programs for utility customers and for the establishment of a renewable portfolio standard to increase the percentage of electricity in Michigan that is generated by renewable resources. As these bills are being evaluated, the Commission again urges the Legislature to provide the Commission with effective oversight authority to protect the public interest over utility mergers and acquisitions that involve Michigan utilities.

# **APPENDIX 1**

**Chart 1**



\*Source <http://www.eia.doe.gov/cneaf/electricity/wholesale/wholesale.html>

## Table 1

### AES Customers in Consumers Energy Service Territory

AES Name <sup>1</sup>	Number of Customers						MW Served					
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
CMS ERM		2	2	2	2	0		2	2	2	2	0
Constellation		183	477	671	416	405		61	229	151	98	95
IntegrYS <sup>2</sup>						52						19
MidAmerican <sup>3</sup>				4	2	0				1	0	0
Mirant <sup>4</sup>		4	0	0	0			22	0	0	0	
Nordic <sup>5</sup>	4	18	16	12	0	0	25	35	33	8	0	0
Quest	467	494	314	96	33	0	380	411	395	105	32	0
Sempra		9	55	43	23	31		13	47	49	27	17
Strategic		89	591	323	110	163		9	99	46	10	19
Wolverine Power	5	15	18	21	19	21	43	105	121	157	129	164
WPS				21	4	0				32	1	0
Totals <sup>7</sup>	563 <sup>1</sup>	814	1,473	1,193	609	672	473 <sup>1</sup>	658	926	552	300 <sup>6</sup>	315 <sup>6</sup>

Note: <sup>1</sup>Companies not actively serving customers since 2002 are not included in this table. Totals for 2002 include 87 customers and 25 MW served by companies that have since exited the Consumers Energy market. By 2003, those customers either switched to another AES or returned to full service from Consumers Energy.

<sup>2</sup>On February 21, 2007, IntegrYS Energy Group Inc merged with WPS Resources Corporation and Peoples Energy Corporation.

<sup>3</sup>In 2006, the load served by MidAmerican was .09 MW.

<sup>4</sup>On January 3, 2006, Mirant American Retail Energy Marketing, LP, successfully emerged from Chapter 11 bankruptcy. As part of the reorganization, the company transferred all of its assets to Mirant Energy Trading, LLC. On August 2, 2007, the Michigan Public Service Commission approved Mirant's voluntary relinquishment of its AES license.

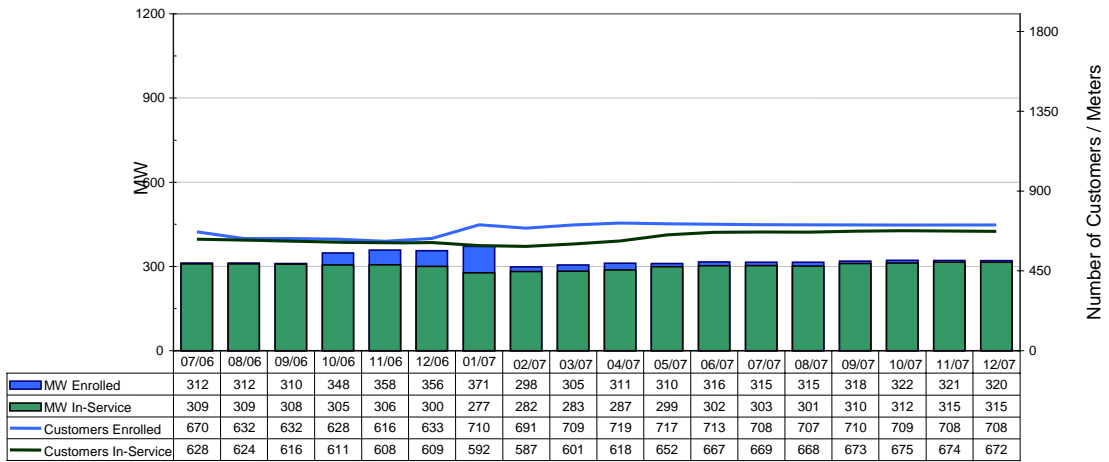
<sup>5</sup>The companies formerly known as Nordic Energy and Nordic Electric were restructured in 2004. Nordic operated in Michigan as both Nordic Marketing, LLC, and Nordic Marketing of Michigan, LLC after that time. For purposes of this report, all Nordic companies are combined in this one row.

<sup>6</sup>Total does not add correctly due to rounding.

<sup>7</sup>The number of customers and MW served in 2001 is available in the *Status of Electric Competition in Michigan* report for 2006.

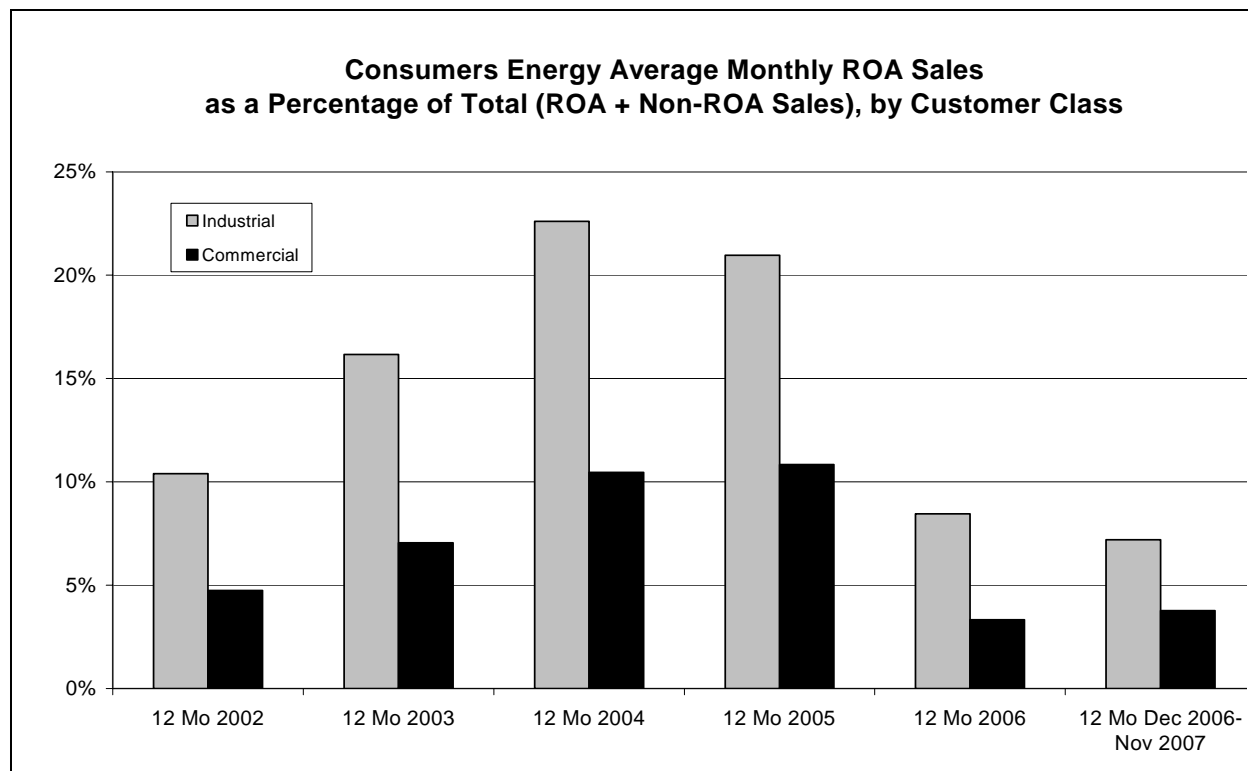
## Chart 2

**Consumers Energy Electric Customer Choice Program Activity**  
 Numbers of Customers & MW Enrolled and In-Service by Month  
 July 2006 – December 2007



Source: Consumers Energy Company, January 2008.

### Chart 3



### Consumers Energy Average Monthly Sales by Class (MWh)

	2002	2003	2004	2005	2006	Dec '06 - Nov '07
Residential ROA	0	0	0	0	0	0
Residential	1,058,170	1,038,530	1,028,850	1,120,670	1,080,990	1,090,820
Commercial ROA	47,230	70,600	107,250	116,090	35,630	41,410
Commercial	948,330	930,120	917,680	954,780	1,035,320	1,056,930
Industrial ROA	110,560	166,870	235,540	213,930	85,640	72,410
Industrial	952,920	865,230	806,750	806,870	928,190	933,570

Source: Consumers Energy Company data for U.S. Department of Energy, Energy Information Administration, Form EIA-826, 2002-2007.

**Table 2**  
**AES Customers in Detroit Edison Service Territory, Year End**

AES Name <sup>1</sup>	Number of Customers						MW Served					
	2002	2003	2004	2005	2006	2007	2002	2003	2004	2005	2006	2007
CMS ERM MI	11	11	11	11	11	11	261	261	261	261	261	261
Commerce <sup>2</sup>	953	3,420	4,663	3,070	1,244	806	35	181	215	104	33	20
Constellation		1,325	1,881	3,582	2,492	2,071		303	356	532	342	296
Cook Inlet	9	9	9	0	0	0	86	86	86	0	0	0
Dillon		149	136	2	0	0		33	28	<1	0	0
Dynegy		10	0	0	0	0		5	0	0	0	0
Energy International	73	773	1,231	613	443	115	5	36	55	28	17	4
Exelon				42	28	0				8	3	0
FirstEnergy Solution	5	952	1,234	956	620	116	3	171	180	118	73	17
Integritys <sup>3</sup>						350						45
Metro Energy	2	2	2	2	2	0	13	13	13	13	13	0
MidAmerican			66	806	304	2			4	31	13	<1
Mirant <sup>4</sup>		6	0	0	0	0		8	0	0	0	0
Nicor/EMC	1,012	66	10	0	0	0	169	4	1	0	0	0
Nordic <sup>5</sup>	1,312	1,718	1,838	10	0	0	107	162	140	<1	0	0
Premier		327	632	207	0	0		53	77	19	0	0
Quest	1,287	1,477	1,262	774	246	0	325	422	347	104	32	0
Sempra	33	98	162	16	8	14	26	59	80	5	1	11
Strategic		2,000	4,095	3,068	1,084	676		245	475	237	69	40
Wolverine	2	2	2	2	2	2	13	13	13	13	14	13
WPS		4	7	503	159	0		15	45	49	18	0
Totals <sup>7</sup>	5,198 <sup>1</sup>	12,349	17,241	13,664	6,643	4,163	1,138 <sup>1</sup>	2,070	2,378 <sup>6</sup>	1,524	889	708

Note: <sup>1</sup>Companies not actively serving customers since 2002 are not included in this table. Totals for 2002 include 499 customers and 95 MW served by companies that have since exited the Detroit Edison market. By 2003, those customers either switched to another AES or returned to full service from Detroit Edison.

<sup>2</sup>In 2005, Electric-America changed the company name to Commerce Energy Inc.

<sup>3</sup>On February 21, 2007, Integritys Energy Group, Inc., merged with WPS Resources Corp. and Peoples Energy Corp.

<sup>4</sup>On January 3, 2006, Mirant America Retail Energy Marketing, LP, emerged from Chapter 11 bankruptcy, and transferred all of its assets to Mirant Energy Trading, LLC. On 8/7/07, the MPSC approved Mirant's relinquishment of its AES license.

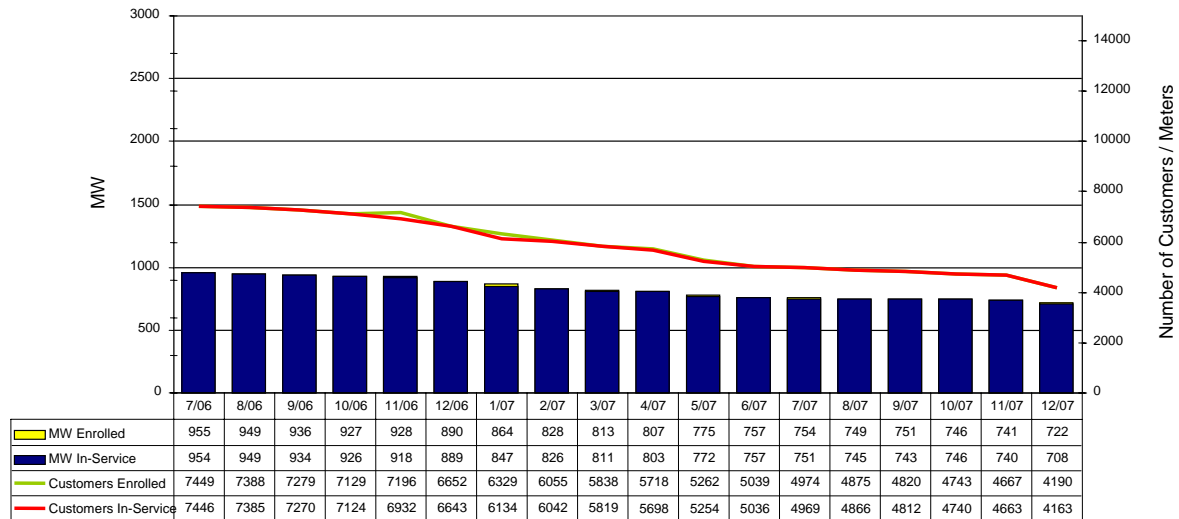
<sup>5</sup>The companies formerly known as Nordic Energy and Nordic Electric were restructured in 2004. Nordic operated in Michigan as Nordic Marketing, LLC, and Nordic Marketing of Michigan, LLC. For purposes of this report, all Nordic companies are combined in this one row.

<sup>6</sup>Total does not add correctly due to rounding.

<sup>7</sup>The number of customers and MW served in 2001 is available in the 2006 *Status of Electric Competition in Michigan* report.

## Chart 4

**Detroit Edison Electric Customer Choice Program Activity**  
 Numbers of Customers & MW Enrolled and In-Service by Month  
 July 2006 – December 2007

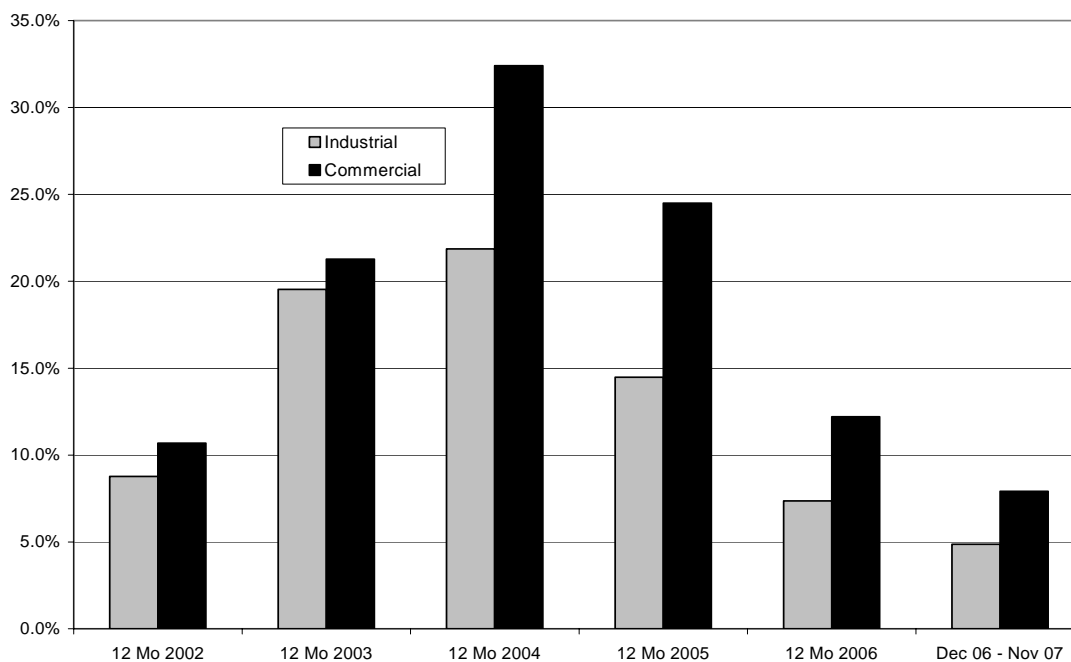


Source: The Detroit Edison Company, January 2008.



## Chart 5

**Detroit Edison Average Monthly ROA Sales as a Percentage of Total (ROA + Non-ROA Sales), by Customer Class**



**Detroit Edison Average Sales per Month by Customer Class, ROA & Full-Service (MWh)**

	2002	2003	2004	2005	2006	Dec '06 – Nov '07
Residential ROA	71	87	104	119	67	40
Residential	1,329,820	1,256,200	1,260,970	1,401,000	1,314,070	1,339,810
Commercial ROA	183,530	358,760	552,330	432,630	212,490	141,080
Commercial	1,532,940	1,328,500	1,152,140	1,334,020	1,529,180	1,643,270
Industrial ROA	108,910	247,930	267,540	173,750	87,710	56,370
Industrial	1,132,460	1,021,140	955,970	1,026,400	1,102,910	1,101,890

Source: Detroit Edison Company data for U.S. Department of Energy, Energy Information Administration, Form EIA-826, 2002-2007.

Note: Though a small quantity of residential sales is reported in the Detroit Edison service territory, no AESs currently offers service to residential customers. The Residential ROA category reports service to residential accounts associated with commercial customers and very small commercial customers.

**Table 3**

**Major Categories of Michigan Electricity Production**

<b>Producer Category</b>	<b>Capacity<sup>1</sup></b>		<b>Total Production 12 Months ending Sept 2007</b>	
	<b>MW</b>	<b>% of Total</b>	<b>MWh</b>	<b>% of Total</b>
Electric Utilities	22,830	77%	101,127,055	86%
Non-Utility Suppliers	6,931	23%	16,871,356	14%
Total	29,761	100%	117,998,411	100%

**1** Capacity equals total summer ratings of all generators in each producer category as reported from EIA 2006 data.  
Source: US DOE, Energy Information Administration; EIA Forms 906, 920 and 860:  
[http://www.eia.doe.gov/cneaf/electricity/page/eia906\\_920.html](http://www.eia.doe.gov/cneaf/electricity/page/eia906_920.html) .

# Chart 6

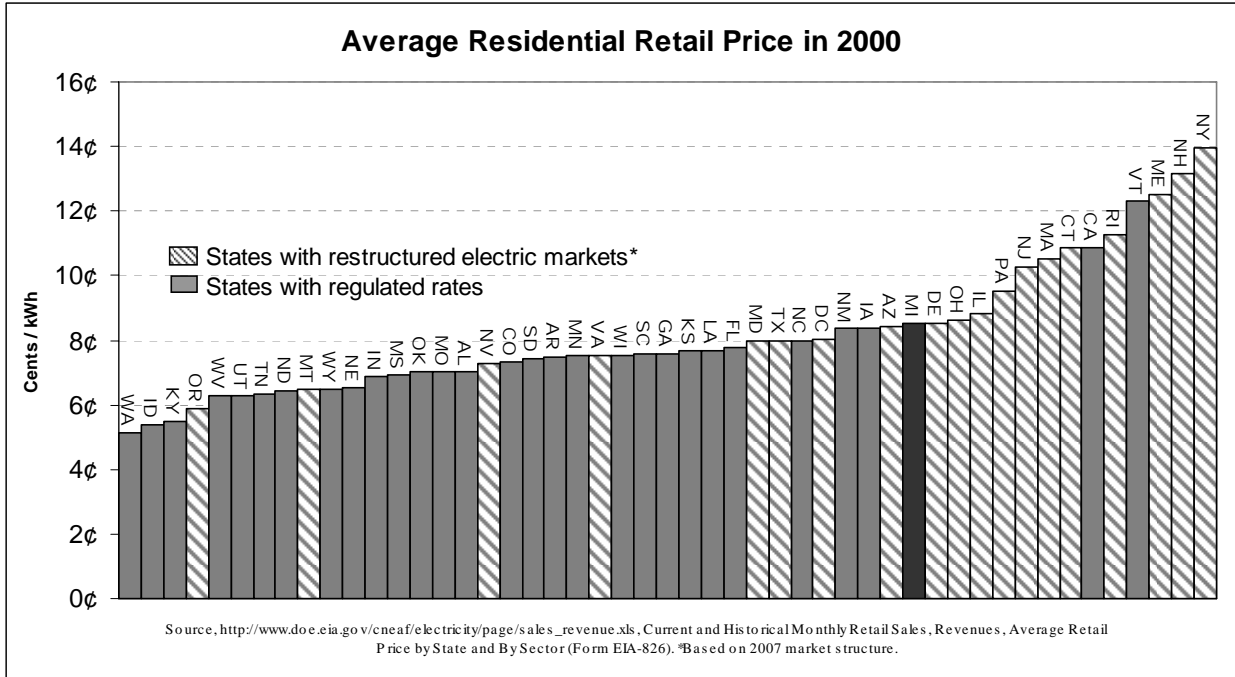


Fig. 1

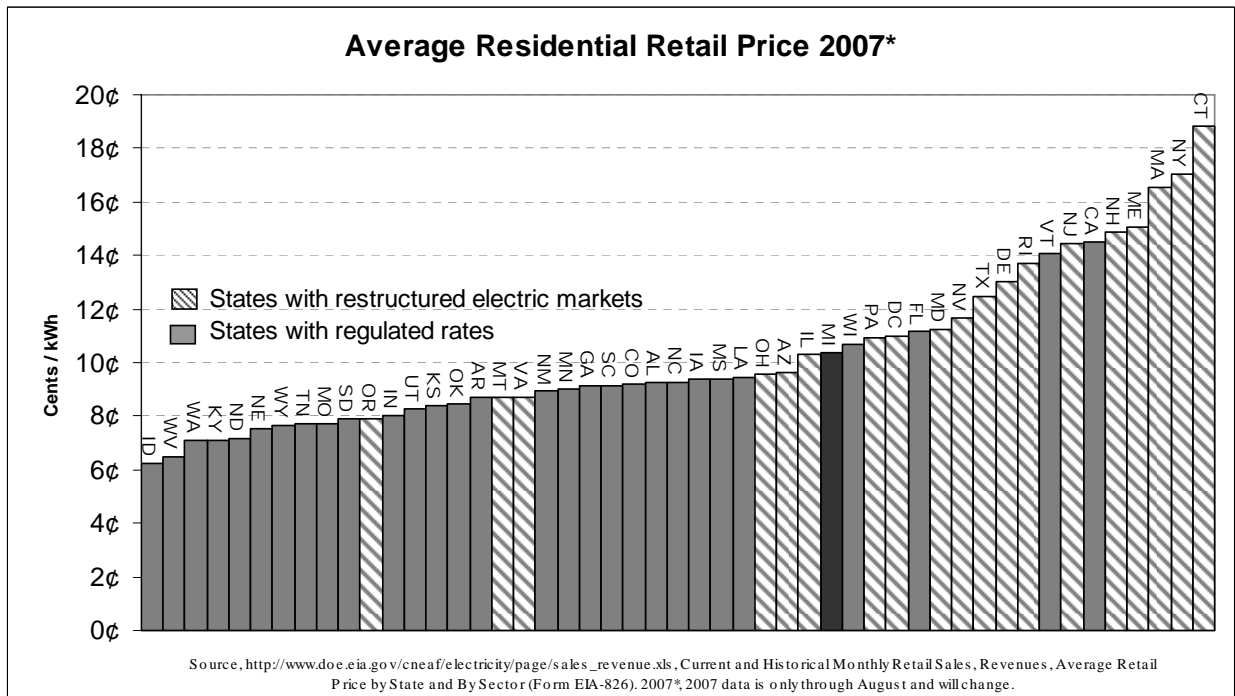


Fig. 2

### Chart 6

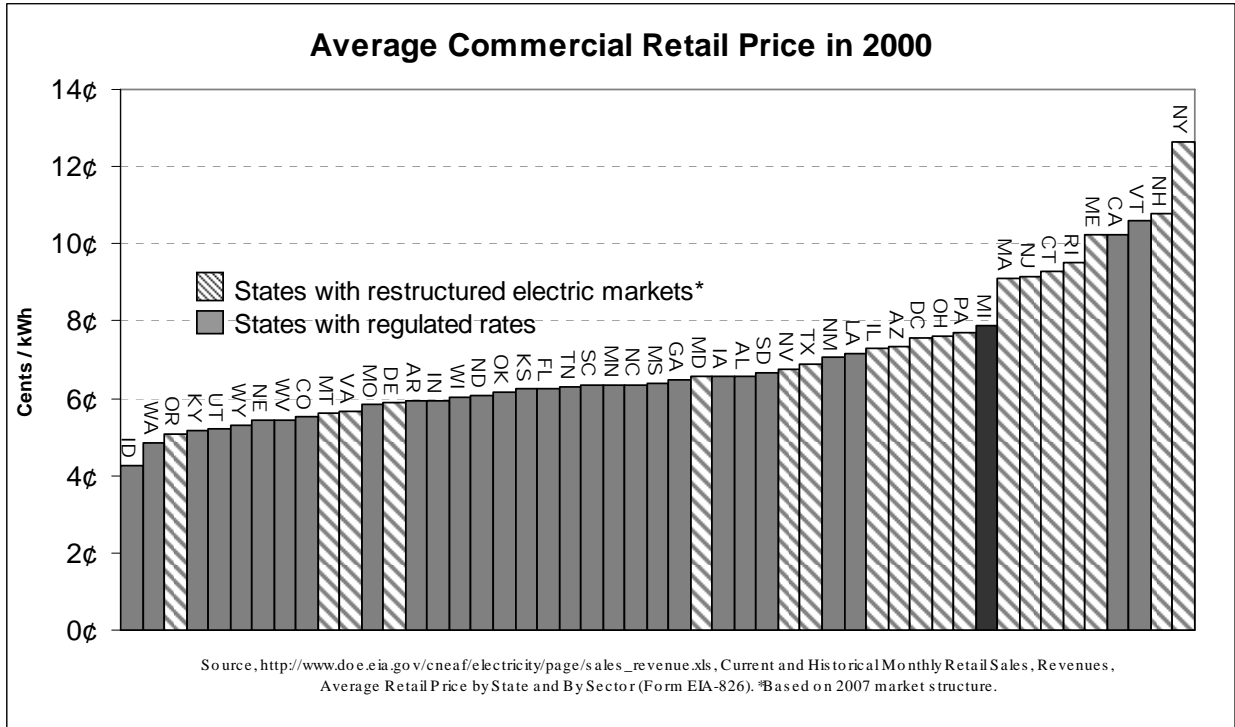


Fig. 3

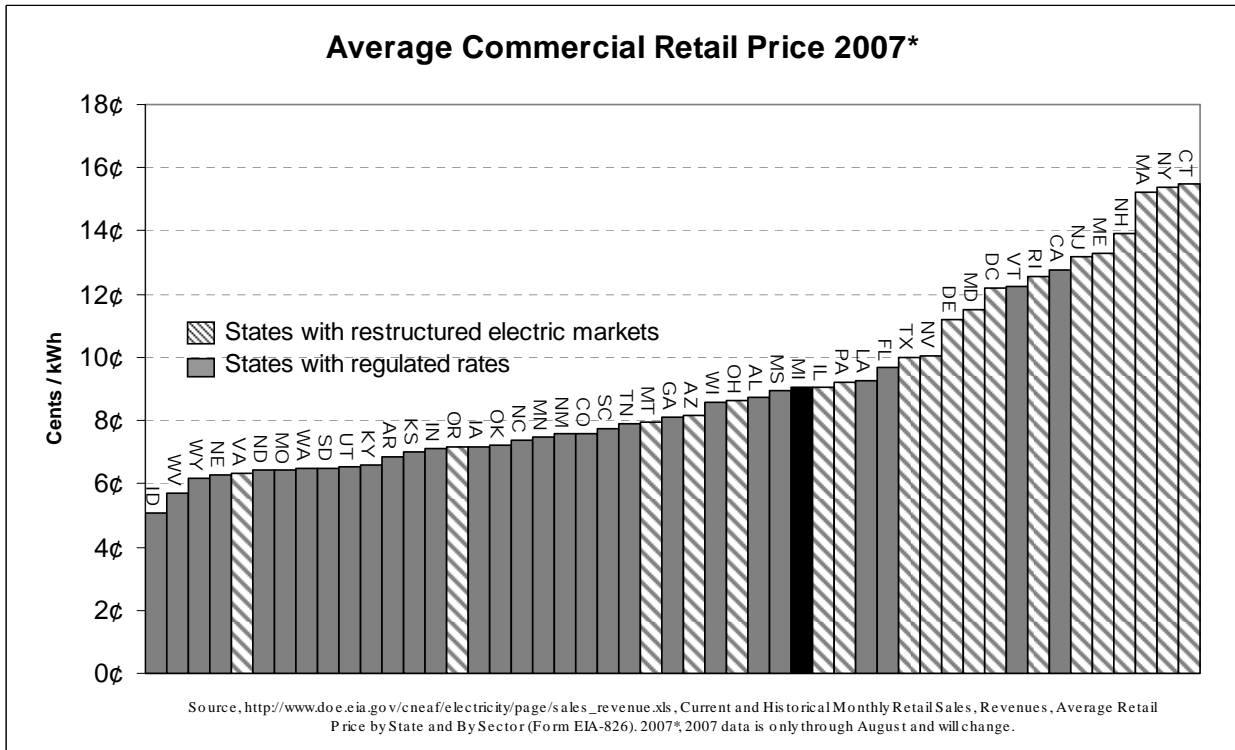


Fig. 4

Chart 6

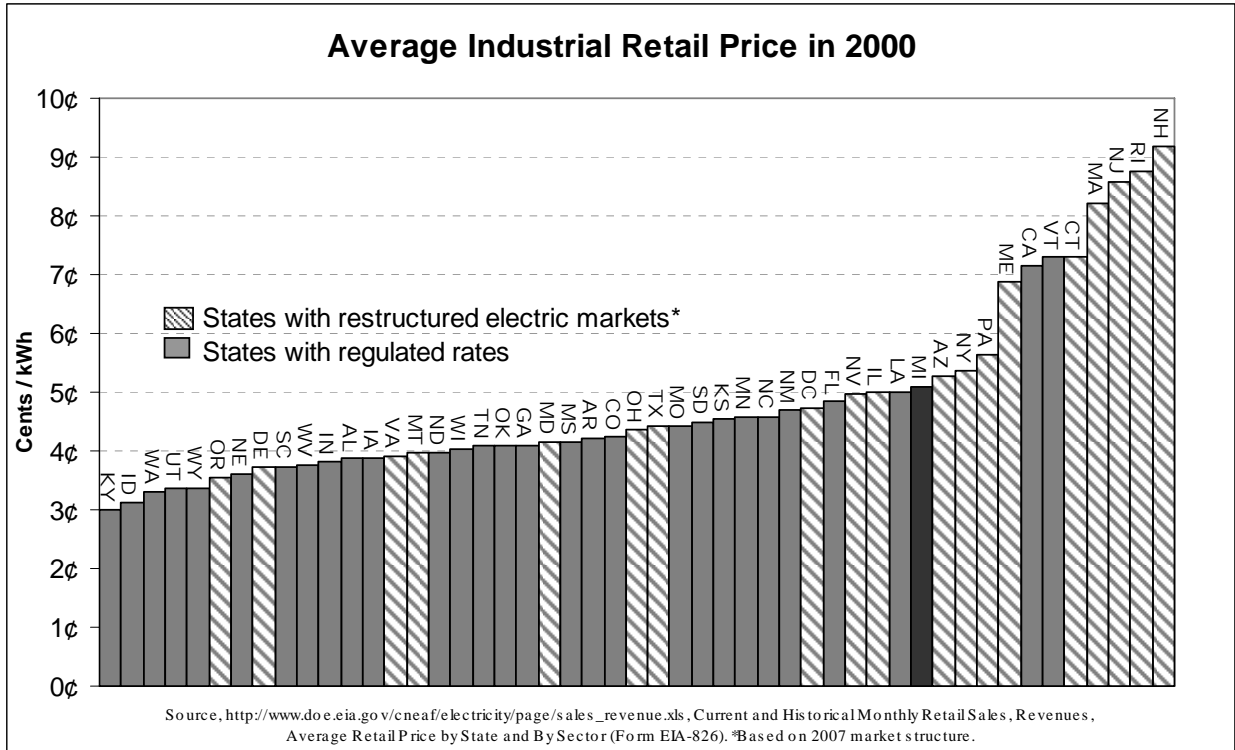


Fig. 5

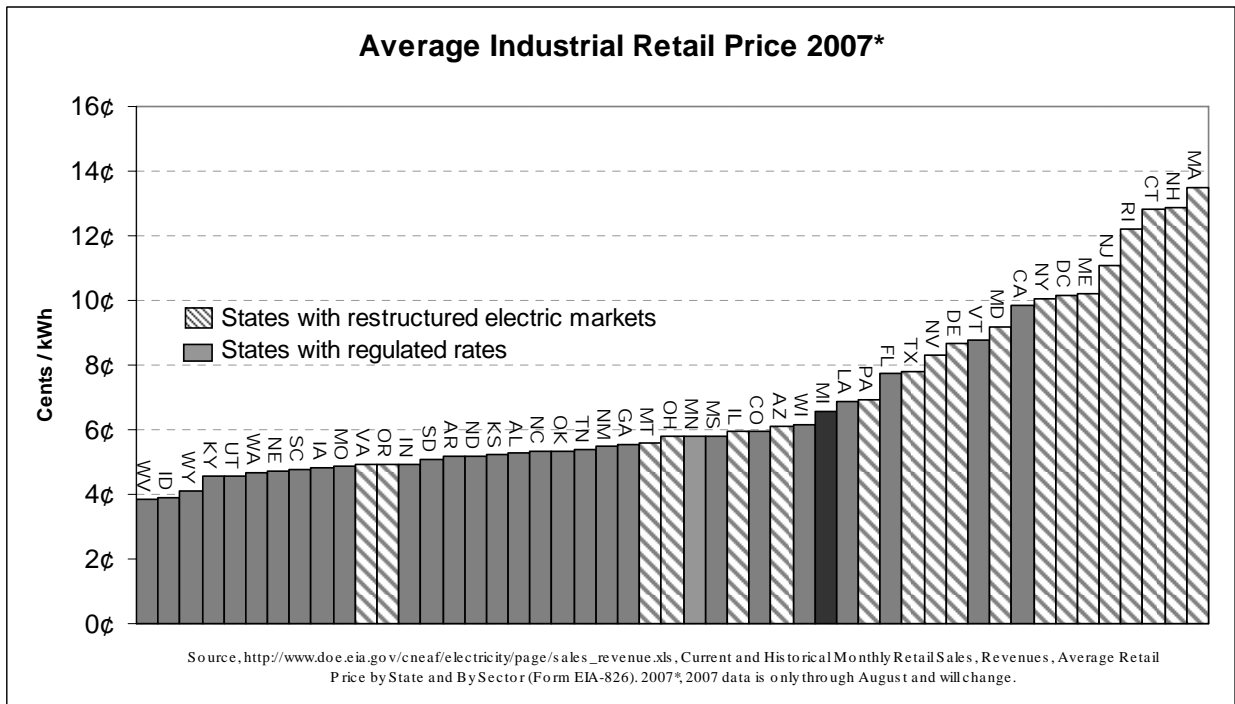


Fig. 6

# Chart 7

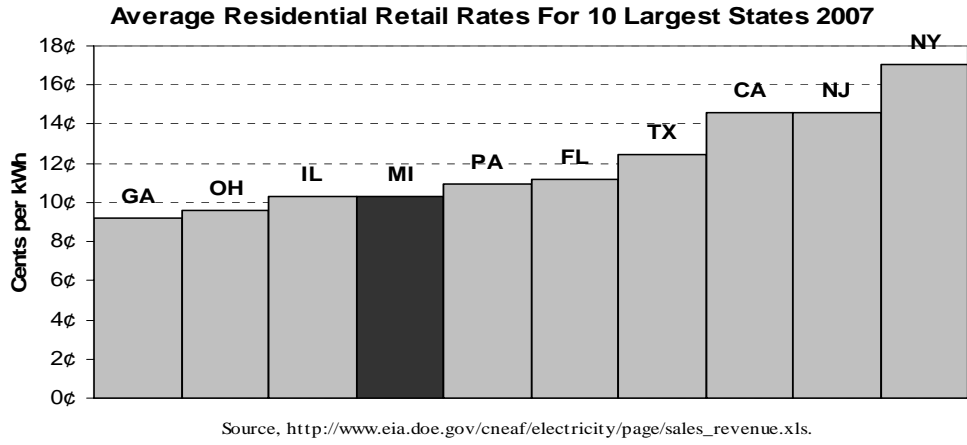


Fig. 1

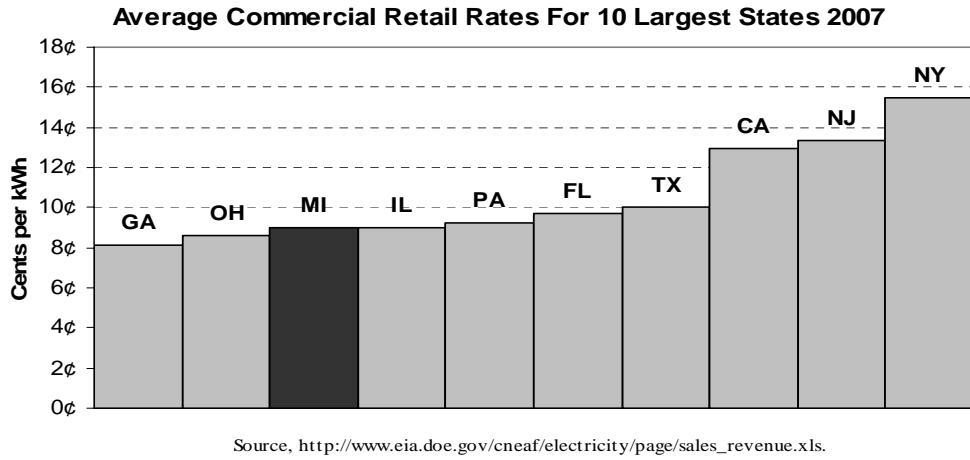
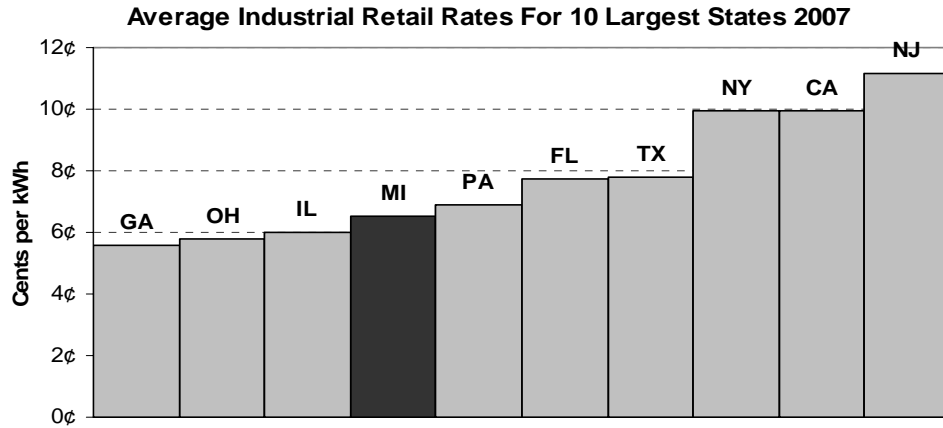


Fig. 2



Source, [http://www.eia.doe.gov/cneaf/electricity/page/sales\\_revenue.xls](http://www.eia.doe.gov/cneaf/electricity/page/sales_revenue.xls).

Fig. 3

# Chart 8

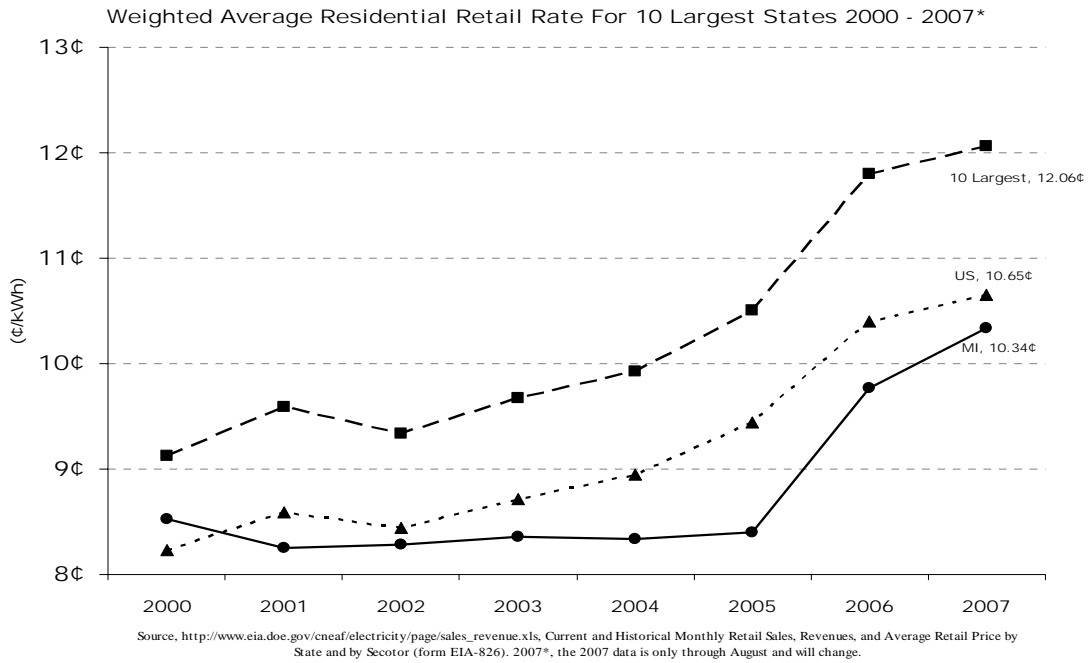


Fig. 1

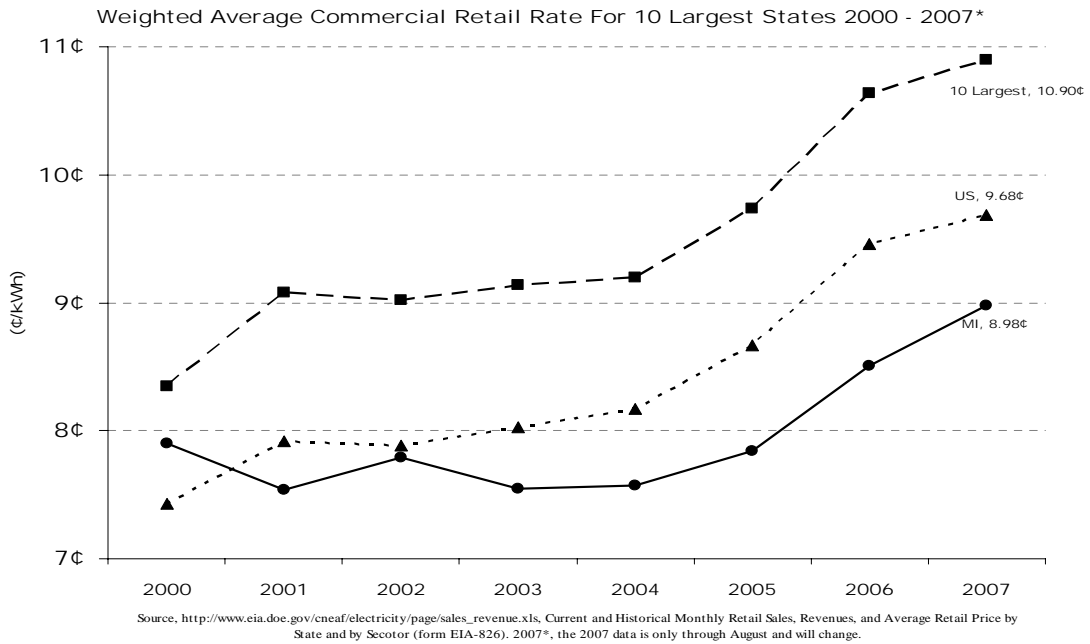


Fig. 2



# CHART 8

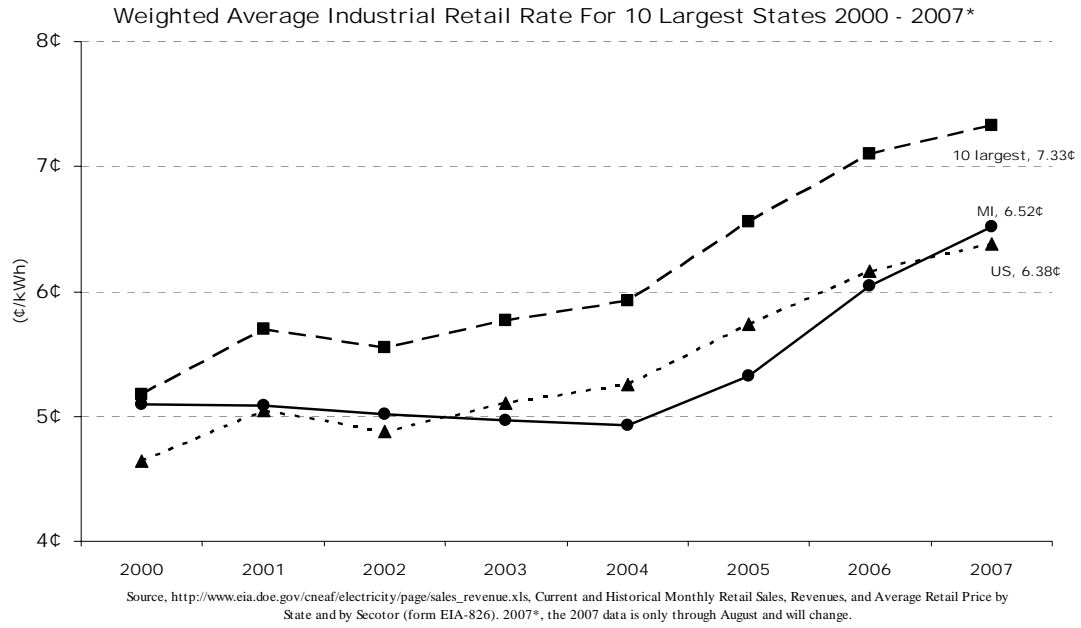


Fig. 3

## **APPENDIX 2**

## **Michigan Public Service Commission Orders in 2007 Related to Implementation of 2000 PA 141**

### **Alternative Electric Suppliers**

- U-15139 Liberty Power Holding, LLC (**alternative electric supplier**) 4/24/2007. The Commission granted a license to Liberty Power as an alternative electric supplier.
- U-15140 Liberty Power Delaware, LLC (**alternative electric supplier**) 4/24/2007. The Commission granted a license to Liberty Power Delaware as an alternative electric supplier.
- U-13244 FirstEnergy Solutions Corp. (**license amendment**) 7/26/2007. The Commission found that the parental guarantee provided by FirstEnergy is no longer required. In the event that FirstEnergy's investment falls below an investment grade rating of BBB, FirstEnergy shall notify the Commission and shall immediately provide a new parental guarantee.
- U-13516 Mirant Americas Retail Energy Marketing (**alternative electric supplier relinquishment**) 8/7/2007. The Commission approved Mirant's voluntary relinquishment of its license as an alternative electric supplier.
- U-15309 Spartan Renewable Energy, Inc. (**alternative electric supplier**) 9/18/2007. The Commission granted a license to Spartan Renewable Energy, Inc., as an alternative electric supplier.
- U-13281 Dorman Energy, LLC (**license revocation**) 9/25/2007. The Commission revoked the license of Dorman Energy an alternative electric supplier.
- U-14594 UP Power Marketing LLC (**expanding AES license**) 10/25/2007. The Commission granted an amended license to UP Power Marketing as an alternative electric supplier. The company submitted a supplemental filing to expand its retail base beyond the White Pine Copper Refinery to include non-affiliate industrial and commercial entities in Michigan.

### **Securitization Surcharges**

- U-12478 The Detroit Edison Company (**securitization true-up**) 2/14/2007. In this order, the Commission authorized The Detroit Edison Company to decrease its bond principal and interest securitization surcharge and to continue the current tax surcharge at 1.21 mills per kWh.
- U-12505 Consumers Energy Company (securitization true-up) 10/25/2007. The Commission authorized Consumers Energy to increase its bond securitization charge to 1.269 mills per kWh and to increase the tax securitization charge to 0.617 mills per kWh.

### **Tariff Amendments**

- U-13698 Michigan's Rural Cooperatives (**customer choice**) 1/30/2007. In this order, the Commission ordered Alger Delta Cooperative Electric Association, Cherryland Electric Cooperative, Cloverland Electric Cooperative, Great Lakes Energy Cooperative, Homeworks Tri-County Electric Cooperative, Midwest Energy Cooperative, The Ontonagon County rural Electrification Association, Presque Isle Electric & Gas Co-op, and Thumb Electric Cooperative to continue their customer choice program for commercial and industrial member-consumers with peak loads of between 200 kW and 999 kW and for demand metered commercial and industrial member-consumers with peak loads of between 50 kW and 199 kW. No more than 30% of the total number of member-consumers between 50 kW and 199 kW for each cooperative shall be permitted to switch pursuant to the September 11, 2003 Commission order. The cooperatives were also ordered to file an updated status report regarding customer choice activity by February 1, 2008.

### **Power Supply Cost Recovery Factor**

- U-15002 The Detroit Edison Company (**'07 PSCR plan**) 8/21/2007. The Commission authorized The Detroit Edison Company to charge a maximum power supply cost recovery factor of 8.69 mills per kWh in 2007.

### **Business Rules**

- U-15015 Presque Isle Electric & Gas Co-op (**code of conduct waiver**) 6/12/2007. The Commission granted the code of conduct waivers requested by Presque Isle that relate to such things as information sharing, employee sharing, cosigning or financing loans for affiliates, joint advertising, marketing, asymmetrical inter-divisional pricing for services, and sharing billing data.
- U-14851 Commission's Own Motion (**rulemaking**) 6/26/2007. The Commission approved the revised version of the Consumer Standards and Billing Practices for Electric and Gas Residential Service. This represented the first time in 10 years that the rules had been significantly updated. Several highlights of the rule changes include: customer shutoff protections for military personnel and their families; the space-heating season for winter protection changed to November 1 through March 31; and company's option to extend shutoff protection programs throughout the entire year, etc.
- U-15152 Commission's Own Motion (**rulemaking**) 10/9/2007. The Commission approved revised rules governing how utilities are to submit filings.
- U-15206 Midwest Energy Cooperative (**code of conduct waiver**) 10/9/2007. The Commission granted Midwest Energy's waivers related to corporate structure, financing, equity ratio reporting, and separation on provision of unregulated services or products, and joint marketing.
- U-15444 The Detroit Edison Company and Michigan Consolidated Gas Company (**alternative shut-off protection plan**) 11/8/2007. The Commission approved a year-round shut-off protection program proposed by Detroit Edison and MichCon. The program expanded eligibility to low-income customers at or below 200 percent of the

federal poverty level, and permits senior citizens age 62 and above to apply for shut-off protection. This program is offered in addition to the Winter Protection Plan.

- U-14851 Consumers Energy Company (**waiver of residential billing rules**) 12/18/2007. The Commission approved temporary waivers of three of the Consumer Standards and Billing Practices for Electric and Gas Residential Service given the current billing system. During the transition period, Consumers Energy will not post payments to combination gas and electric accounts by energy type; eliminate late payment charges to estimated meter reads; or include charges for unregulated services together with charges for gas and electric service.

### **Generation and Transmission Issues**

- U-15163 Commission's Own Motion (**electric reliability plan**) 1/30/2007. In this order, the Commission required all regulated electric utilities, alternative electric suppliers, Wolverine Power Supply Cooperative, and Wabash Valley Power Association to file assessments of their ability to meet customers' expected electric requirements in 2007. In addition, the Commission solicited comments from Midwest ISO, American Transmission Company, and International Transmission Company on the issues relevant to the investigation.
- U-15113 & U-15239 Commission's Own Motion (**interconnection report**) 2/27/2007. In this order, the Commission approved the MPSC staff's recommendations to improve electric interconnections between independent power producers and public utilities. All regulated utilities must file interconnection reports every six months without regard to the size of an interconnection project, and were encouraged to educate the public about the interconnection process. Staff was ordered to establish a workgroup to develop a faster and less complex interconnection procedures for 10 kW and under projects, and a separate workgroup for interconnection projects of 30 kW or larger. In addition, the Michigan Renewable Energy Program and Ratemaking and Net Metering Committee was ordered to form a task force to seek a new consensus and report within 90 days on a simplified approach for net metering for investor based systems smaller than 10 kW. A rulemaking proceeding was commenced in Case No. U-15239 to amend R 460.481 to R 460.489 administrative rules.
- U-15323 Upper Peninsula Power Company (**net gains**) 10/9/2007. The Commission approved Upper Peninsula Power's settlement agreement authorizing the share of the Michigan portion of the net gains from the sale of the Warden Generating Station with its retail electric customers and to treat its share of the Michigan portion of the net gains as non-utility income.

### **Power Purchase Agreements**

- U-14992 Consumers Energy Company (**power purchase agreement**) 3/27/2007. In this order, the Commission approved a power purchase agreement (PPA) between Consumers Energy and Entergy Nuclear Palisades that will save Consumers Energy electric customers up to an estimated \$700 million in energy costs over 15 years. On July 11, 2006, Entergy entered into an agreement with Consumers Energy for the

purchase of the Palisades nuclear plant. Following the sale, customers will save \$255 million returned in the form of a credit applied to their bills over 18 months. An additional \$116 million in decommissioning funds will be available for refund in the future.

- U-14892 Consumers Energy Company (**Act 304 (PPA)**) 5/22/2007. In this order, the Commission approved a settlement agreement for long term power purchase arrangements. Consumers Energy took appropriate steps to assure compliance with all requirements of the Midwest Independent Transmission System Operator.
- U-15299 Wisconsin Electric Power Company, Empire Iron Mining Partnership and Tilden Mining Company (**amendment to PPAs**) 5/22/2007. In this order, the Commission approved amendments to the pricing provisions in the company's power purchase agreements that were previously approved by the Commission's February 22, 1996 order.
- U-15220 Wisconsin Electric Power Company, d/b/a We Energies (**Point Beach Sale/PPA**) 9/25/2007. The Commission approved the power purchase agreement between We Energies and FPL Energy Point Beach, LLC. FPL now owns and operates Point Beach nuclear plant. The Michigan retail portion of the proceeds from the sale of the Point Beach plant will be refunded to customers.
- U-15361 Indiana Michigan Power Company (**power purchase agreement**) 12/4/2007. The Commission approved a settlement agreement between Indiana Michigan Power Company and Fowler Ridge Wind Farm that permits the utility to include the costs into its customers' bills associated with the power purchase agreement in its PSCR clause and factors, or the running of a wind farm.

### **Security Costs**

- U-15160 The Detroit Edison Company (**enhanced security costs**) 4/3/2007. In this order, the Commission approved a settlement agreement that authorized Detroit Edison to recover \$9,144,940 in enhanced security costs related to the Fermi 2 plant from Sept. 11, 2002 through Dec. 31, 2005.

### **Energy Efficiency & Renewable Energy**

- U-14569 The Detroit Edison Company (**renewable resource program**) 4/3/2007. In this order, the Commission approved Detroit Edison's second revised renewable energy program proposal, placing conditions on the use of out-of-state renewable energy certificates. The company is required to file a report by March 31, 2008 that identifies its sources of renewable energy certificates, examines whether the proposal increases construction of in-state renewable energy facilities, reconciles the costs and revenues from the program, demonstrates that any revenues in excess of costs are spent on renewable energy development in Michigan, and proposes how the cost of participation in the program could be lowered.
- U-15278 Commission's Own Motion (**smart grid collaborative**) 4/24/2007. The Commission directed the MPSC staff to monitor development of "smart grid" technology

for the state's electric distribution systems and to develop a task force to create standards for the systems once they become economically viable.

- U-15277 Commission's Own Motion (**demand response collaborative**) 6/12/2007. In this order, the Commission directed MPSC staff to begin and manage a collaborative proceeding for a demand response pilot program. The pilot program will emphasize the use of smart metering, advanced technology and time-based or real time rate structure, in particular assessing the impact of time-based rates on customer demand for electricity. The Commission required all regulated electric distribution companies to participate in the collaborative and invited participation from other interested parties.
- U-14345 Commission's Own Motion (**renewable energy report**) 8/21/2007. The Commission approved the Staff's Michigan Renewable Energy Program 2004-2005 report and directed the Staff to submit its Michigan Renewable Energy Program 2006 report by September 30, 2007.
- U-15190 Consumers Energy Company (**DSM Program**) 9/25/2007. The Commission reopened the record on Consumers Energy's proposed energy efficiency program to develop a full and complete record and allow those who did not participate in the case to be heard on: the MPSC's authority to authorize the proposed energy efficiency program; and how program costs should be allocated among customer classes.
- U-15433 Consumers Energy Company (**tariff**) 11/8/2007. The Commission approved Consumers Energy's application requesting authority to modify its renewable resource program tariff sheets. The new payment option 4 will be available for customers who purchase a minimum of 8,000 renewable resource program participation certificates per month, and provide those customers with the lowest priority of supply in the program.
- U-15440 Commission's Own Motion (**requests for comments**) 11/8/2007. The Commission requested public comments on the MPSC Staff's Net Metering Program Report, the 2006 Michigan Renewable Energy Program Data Report, and the 2006 Annual MREP Report.

#### **Low-Income Energy Efficiency Fund**

- U-13129 Commission's Own Motion (**Low-Income and Energy Efficiency Fund**). 5/22/2007. The Commission approved a Low-Income and Energy Efficiency Fund grant totaling \$22 million to the Michigan Department of Human Services (DHS). DHS was required to abide by appropriate guidelines and requirements for spending low income energy assistance funds and to submit a final project report to the Commission by December 1, 2007.
- U-13129 Commission's Own Motion (**low-income energy assistance grants**) 8/21/2007. The Commission awarded the following low-income energy assistance grants totally \$50 million: Department of Human Services - \$30,900,000; Downriver Community Conference - \$500,000; Lighthouse Emergency Services - \$200,000; Michigan Community Action Agency Association - \$5,000,000; Newaygo County Community Services - \$1,000,000; Society of St. Vincent de Paul of Detroit - \$400,000;

The Heat and Warmth Fund - \$6,000,000; and The Salvation Army - \$6,000,000.

- U-13129 Commission's Own Motion (**low-income energy efficiency grants**) 8/21/2007. The Commission approved a total of \$20 million in low-income energy efficiency grants as follows: Department of Human Services - \$13,925,000; Habitat for Humanity of Michigan - \$275,000; Michigan Community Action Agency Association - \$2,000,000; Michigan GREEN - \$500,000; Newaygo County Community Services - \$600,000; Nova Development Group of Detroit - \$1,400,000; United Way Community Services for Southeastern Michigan - \$500,000; Urban Options - \$600,000; and Warm Training Center - \$200,000.

### **Commission Action to Protect Customers**

- U-15223 Commerce Energy, Inc. v The Detroit Edison Company (**AES complaint**) 7/5/2007. The Commission approved the settlement agreement and agreed to fine Detroit Edison \$50,000 for the alleged violation of a retail access service tariff agreement.
- U-15081 First Energy Solutions Corp. v The Detroit Edison Company (**AES complaint**) 7/5/2007. The Commission approved the settlement agreement and agreed to fine Detroit Edison \$50,000 for the alleged use of historical usage data or prices from customers of First Energy for the purpose of comparing its regulated rates to AES pricing without the customer requests and written authorization to make such a comparison.

### **Minute Actions**

- Minute Action Midwest Independent Transmission System Operator, Inc. (FERC Docket Nos. ER06-18-004 & ER06-18-005) 1/9/2007. The Commission requested the Department of Attorney General to intervene on behalf of the Commission before the Federal Energy Regulatory Commission involving the request by MISO for approval of its proposed revisions to the MISO's Open Access Transmission and Energy Markets Tariff.
- Minute Action Entergy Nuclear Palisades, LLC (FERC Docket No. ES07-21) 3/21/2007. The Commission requested the Department of Attorney General to intervene on behalf of the Commission before the Federal Energy Regulatory Commission for authority for Entergy Nuclear Palisades to issue and sell equity securities and long-term and short-term debt securities.
- Minute Action Wisconsin Electric Power Company (Case No. U-15220) 2/21/2007. The Commission confirmed the determination to "provisionally" remove Wisconsin Electric Power Company's (WEPCo's) February 20, 2007 filings in Case No. U-15220, which allegedly contained confidential information that was unintentionally included with the filing by WEPCo, and to permit the provisional substitution of a reacted version of those filings. The action allows WEPCo an opportunity to demonstrate the credibility of its allegations to the administrative law judge assigned to this matter without further exposure of the alleged confidential information.



- Minute Action U.S. Department of Energy (2007-OE-01; 2007-OE-02) 7/26/2007. The Commission requested the Department of Attorney General to prepare and submit comments on behalf of the Commission to the U.S. Department of Energy to address the designation of national interest electric transmission corridors.
- Minute Action International Transmission Company, d/b/a *ITCTransmission*, Michigan Electric Transmission Company, LLC, and the Midwest Independent Transmission System Operator, Inc. (ER07-1141) 8/7/2007. The Commission confirmed the request for the Department of Attorney General to prepare and submit comments on behalf of the Commission before the Federal Energy Regulatory Commission to modify the allocation of generation interconnection costs under Attachment FF of the MISO's Open Access Transmission and Energy Market Tariff.
- Minute Action American Transmission Company, LLC and the Midwest Independent Transmission System Operator, Inc. (ER07-1144) 8/7/2007. The Commission confirmed the request for the Department of Attorney General to prepare and submit comments on behalf of the Commission before the Federal Energy Regulatory Commission to modify the allocation of generation interconnection costs under Attachment FF of the MISO's Open Access Transmission and Energy Market Tariff.
- Minute Action Southwest Gas Storage Company (FERC Docket No. RP07-541-000) 9/11/2007. The Commission requested the Department of Attorney General to intervene on behalf of the Commission before the Federal Energy Regulatory Commission regarding a proposed general rate increase filed by the Southwest Gas Storage Company.
- Minute Action Michigan Stand-Alone Transmission Companies and Wolverine Power Supply Cooperative, Inc. (FERC Docket No. ER07-1261) 10/9/2007. The Commission confirmed that the Department of Attorney General has intervened and commented on behalf of the Commission before the Federal Energy Regulatory Commission regarding a post transition period compliance filing and proposal for revisions to the MISO's Open Access Transmission and Energy Market Tariff.
- Minute Action American Electric Power Service Corporation (FERC Docket No. EL07-101-000) 10/25/2007. The Commission confirmed that the Department of the Attorney General intervened on behalf of the Commission before the Federal Energy Regulatory Commission regarding a complaint challenging the justness and reasonableness of the rate designs underlying the open access transmission tariffs of PJM and the MISO.
- Minute Action Direct Energy Services, LLC Sempra Energy Solutions, LLC, Strategic Energy, LLC (FERC Docket Nos. RC07-4, RC07-6, RC07-7) 10/25/2007. The Commission confirmed that the Department of Attorney General has intervened and commented on behalf of the Commission before the Federal Energy Regulatory Commission regarding appeals of the decisions of the NERC Board of Trustee Compliance Committee to FERC.

## **APPENDIX 3**

## Michigan Licensed Alternative Electric Suppliers\*

Company Name, Address, Contact Information	Case Number	Authorization Date
<b>Accent Energy Midwest LLC</b> - <i>Company has received a license. A Michigan office must be established before the company can begin marketing.</i>	U-14012	2/12/2004
<b>American PowerNet Management, L.P.</b> 7100 County Road 426, Escanaba, MI 49829 Phone: 877-977-2636 Fax: 610-372-9100 Email: <a href="mailto:dbutsack@americanpowernet.com">dbutsack@americanpowernet.com</a> URL: <a href="http://www.americanpowernet.com">http://www.americanpowernet.com</a>	U-14818	5/25/2006
<b>BlueStar Energy Services, Inc.</b> - <i>Company has received a license. A Michigan office is required to begin marketing.</i>	U-14764	2/9/2006
<b>CMS ERM Michigan LLC</b> One Energy Plaza, Suite 1060, Jackson, MI 49201-2277 Serving Dearborn Industrial Generation	U-12567	8/17/2000
<b>CMS Energy Resource Management Co.</b> One Energy Plaza, Suite 1060, Jackson, MI 49201-2277 Phone: 517-788-1944 Fax: 517-787-4606 Email: <a href="mailto:dmzwitter@cmsenergy.com">dmzwitter@cmsenergy.com</a>	U-12563	8/17/2000
<b>Commerce Energy Inc.</b> 32991 Hamilton Court, Farmington Hills, MI 48334 Phone: 800-556-8457 Fax: 887-332-1067 Email: <a href="mailto:contactus@commerceenergy.com">contactus@commerceenergy.com</a> URL: <a href="http://www.commerceenergy.com">www.commerceenergy.com</a>	U-13203	11/20/2001
<b>Constellation NewEnergy, Inc.</b> 1000 Town Center, Suite 2350, Southfield, MI 48075 Phone: 866-237-POWER (7693) Fax: 888-829-8750 Email: <a href="mailto:CNESalesMI@constellation.com">CNESalesMI@constellation.com</a> URL: <a href="http://www.newenergy.com">http://www.newenergy.com</a>	U-13660	12/20/2002
<b>Dillon Energy Services, Inc.</b> 21312 Mack Avenue, Grosse Pointe Woods, MI 48236 Phone: 313-885-4299 Fax: 313-885-4720 Email: <a href="mailto:dillonenergy@comcast.net">dillonenergy@comcast.net</a> URL: <a href="http://www.dillonenergy.com">http://www.dillonenergy.com</a>	U-13703	2/20/2003
<b>Direct Energy Services, LLC</b> 120 N. Washington Sq., Ste. 805, Lansing, MI 48933 Phone: 888-326-8559 Email: <a href="mailto:customerservice@directenergy.com">customerservice@directenergy.com</a> URL: <a href="http://www.directenergy.com">www.directenergy.com</a>	U-14724	12/20/2005
<b>Exelon Energy Company</b> 4300 Winfield Road, Warrenville, IL 60555 Phone: 877-617-8593 (Toll free) Fax: 877-212-2630 Email: <a href="mailto:michoice@exelonenergy.com">michoice@exelonenergy.com</a> URL: <a href="http://www.exelonenergy.com">http://www.exelonenergy.com</a>	U-12662	10/6/2000
<b>FirstEnergy Solutions</b> 395 Ghent Road, Akron, Ohio 44333 Phone: 800-977-0500 Fax: 330-315-6913 Email: <a href="mailto:leppm@fes.com">leppm@fes.com</a> URL: <a href="http://www.fes.com">http://www.fes.com</a>	U-13244	01/08/2002
<b>Integrus Energy Services, Inc.</b> 3520 Green Court, Suite 200, Ann Arbor, MI 48105 Phone: 734-761-3178 Ext. 231 Fax: 734-761-2140 Email: <a href="mailto:fwpolenz@integrusenergy.com">fwpolenz@integrusenergy.com</a> URL: <a href="http://www.integrusenergy.com">http://www.integrusenergy.com</a>	U-13245	01/08/2002

<b>Liberty Power Delaware, LLC.</b> <i>Company has received a license. A Michigan office must be established before the company can begin marketing.</i>	U-15140	4/24/2007
<b>Liberty Power Holdings, LLC.</b> <i>Company has received a license. A Michigan office must be established before the company can begin marketing.</i>	U-15139	4/24/2007
<b>Metro Energy, LLC</b> 414 S. Main Street, Suite 600, Ann Arbor, MI 48104 Phone: 734-302-4866 Fax: 734-302-8242 Email: <a href="mailto:fountag@dtees.com">fountag@dtees.com</a>	U-13311	2/25/2007
<b>MidAmerican Energy Co.</b> 39555 Orchard Hill Place, Suite 600, Novi, MI 48375 Phone: 800-432-8893 Email: <a href="mailto:customerservice-retail@midamerican.com">customerservice-retail@midamerican.com</a> URL: <a href="http://www.midamericanchoice.com">www.midamericanchoice.com</a>	U-13928	3/29/2004
<b>Nordic Marketing, LLC</b> 2010 Hogback Road, Suite 4, Ann Arbor, MI 48105 Phone: 888-262-9919 Email: <a href="mailto:savings.mi@nordicmarketing.com">savings.mi@nordicmarketing.com</a> URL: <a href="http://www.nordicmarketing.com">http://www.nordicmarketing.com</a>	U-12568	8/17/2000
<b>Nordic Marketing of Michigan, LLC</b> 2010 Hogback Road, Suite 4, Ann Arbor, MI 48105 Phone: 888-262-9919 Email: <a href="mailto:savings.mi@nordicmarketing.com">savings.mi@nordicmarketing.com</a> URL: <a href="http://www.nordicmarketing.com">http://www.nordicmarketing.com</a>	U-14168	8/31/2004
<b>Peoples Energy Services Corporation</b> 210 East Main Street, Niles, MI 49120 Phone: 866-645-9805 Fax: 312-681-1999 Email: <a href="mailto:customerservice@integrysenergy.com">customerservice@integrysenergy.com</a> URL: <a href="http://www.integrysenergy.com">www.integrysenergy.com</a>	U-14548	12/20/2005
<b>PowerOne Corporation</b> 6850 N. Haggerty, Canton, MI 48187 Phone: 734-455-2500 Fax: 734-455-1038 Email: <a href="mailto:info@poweronecorp.com">info@poweronecorp.com</a> URL: <a href="http://www.poweronecorp.com">http://www.poweronecorp.com</a>	U-13280	2/1/2002
<b>Premier Energy Marketing, L.L.C.</b> 6111 Jackson Road, Ann Arbor, MI 48103 Phone: 866-348-7605 (Toll Free) Fax: 734-929-1259 Email: <a href="mailto:cs@premierenergyonline.com">cs@premierenergyonline.com</a> URL: <a href="http://www.premierenergyonline.com">http://www.premierenergyonline.com</a>	U-13620	11/7/2002
<b>Quest Energy, LLC</b> 3520 Green Court, Suite 200, Ann Arbor, MI 48105 Phone: 734-761-3178 Fax: 734-761-2140 Email: <a href="mailto:fwpolenz@wpsenergy.com">fwpolenz@wpsenergy.com</a> URL: <a href="http://www.wpsenergy.com">www.wpsenergy.com</a>	U-12566	8/17/2000
<b>Sempra Energy Solutions</b> 100 W. Big Beaver Road, Suite 200, Troy, MI 48084 Phone: 877-273-6772 Fax: 619-696-3103 Email: <a href="mailto:RBoston@SempraSolutaions.com">RBoston@SempraSolutaions.com</a> URL: <a href="http://www.SempraSolutions.com">www.SempraSolutions.com</a>	U-13361	4/16/2002
<b>Spartan Renewable Energy, LLC</b> 10125 W. Watergate Rd., PO Box 209, Cadillac, MI 49601 Phone: 877-288-WIND Fax: 231-775-0172 Email: <a href="mailto:cborr@wpsi.com">cborr@wpsi.com</a> URL: <a href="http://www.spartanrenewable.com">www.spartanrenewable.com</a>	U-15309	9/18/2007
<b>Strategic Energy, LLC</b> 17197 N. Laurel Park Drive, Livonia, MI 48152 Phone: 800-830-5923 Fax: 734-432-2612 Email: <a href="mailto:dforgacs@sel.com">dforgacs@sel.com</a> URL: <a href="http://www.sel.com">http://www.sel.com</a>	U-13609	11/7/2002

<b>Suez Energy Resources NA, Inc.</b> <i>Company has received a license. A Michigan office must be established before the company can begin marketing.</i>	U-14559	10/18/2005
<b>U.P. Power Marketing LLC</b> 29639 Willow Rd., White Pine, MI 49971 Phone: 906-885-7100 Fax: 906-885-7400 Email: zach.halkola@traxys.com	U-14594	10/25/2007
<b>Wolverine Power Marketing Cooperative, Inc.</b> 10125 W. Watergate Road, P. O. Box 100, Cadillac, MI 49601 Phone: 800-283-1270 (Toll-free) Fax: 231-775-0172 Email: <a href="mailto:cborr@wpsci.com">cborr@wpsci.com</a> URL: <a href="http://www.wpmc.coop">http://www.wpmc.coop</a>	U-12723	11/20/2000

\* This list is current as of December 2007. An up-to-date AES directory is kept on the MPSC Web site, at <http://www.dleg.state.mi.us/mpsc/electric/restruct/esp/aeslist>. For information about AES licensing, see <http://www.dleg.state.mi.us/mpsc/electric/restruct/esp/>.