Case Nos.: U-11955/U-12358/U-12891/U-13340
Exhibit No.: A-1
Hearing Date: June 22, 2004

STATUS OF ELECTRIC COMPETITION

IN MICHIGAN

February 1, 2004

MICHIGAN PUBLIC SERVICE COMMISSION

Department of Labor & Economic Growth

STATE OF MICHIGAN
PUBLIC SERVICE COMMISSION
DEPARTMENT OF LABOR & ECONOMIC GROWTH
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Robert B. Nelson
COMMISSIONER

Laura Chappelle
COMMISSIONER

February 1, 2004

Honorable Jennifer Granholm
Governor of Michigan

Honorable Members of the Senate Technology and Energy Committee
Secretary of the Senate

Honorable Members of the House of Representatives Energy and Technology Committee
Clerk of the House of Representatives

The enclosed annual report, *Status of Electric Competition in Michigan,* is submitted on behalf of the Michigan Public Service Commission in accordance with Section 10u of 2000 PA 141, MCL 460.10u. This report will be available on the Commission Web site at Michigan.gov/mpsc.

As you know, electric restructuring in Michigan was created in response to Michigan's relatively high electric rates that, in large part, stifled economic development in the state. The explicit goals of the Customer Choice and Electric Reliability Act include fostering competition, improving the opportunities for economic development, and promoting financially healthy and competitive utilities in Michigan.

During 2003, competition in Michigan's electric markets continued steady progress, with the number of customers participating more than doubling. The Commission issued 31orders to further establish the framework for Michigan's Retail Open Access Program (ROA), and implement the provisions of PA 141. Highlights of the report include:

- Over 13,000 customers are now participating in Michigan's ROA, growing by 70% to a total of 2728 MW.

- The Commission has licensed 26 Alternative Electric Suppliers and 19 are actively serving customers now in the Consumers Energy and Detroit Edison service territories.

- Michigan Court of Appeals affirmed the Commission's decision in Consumers Energy Company's and The Detroit Edison Company's case related to the methodology and recovery of net stranded costs, calculation of securitization credits and deferral of de-skewing rates.

- Consumers Energy Company and The Detroit Edison Company were granted securitization bond and tax change true-up adjustments.

- At the time of this report, Detroit Edison (DTE) stock was selling for $39 per share, compared to $31-32 per share when Act 141 was being considered. Consumers Energy (CMS) stock has fallen significantly since Act 141 passed, but this loss was due primarily to foreign investments and unregulated trading activities.

- The Low-Income and Energy Efficiency Fund grants awarded nearly $20 million for low-income energy efficiency and low-income energy financial assistance. An additional $3 million went to the Michigan Community Action Agency Association for shut-off protection to low-income customers.

- Investigation of the blackout of 2003 found the transmission line and power plant outages that occurred prior to the power surges involved facilities in Ohio, and that Michigan utilities performed appropriately.

- The Commission took a major role in influencing federal policies to develop mandatory reliability standards for the transmission of electricity.

- Midwest Independent System Transmission Operator, a multi-state Regional Transmission Organization that includes Michigan, now covers 15 states from Appalachia to the Rocky Mountains, and part of Canada.

- Consumers Energy met the market tests required before filing for an increase in electricity rates.

- The first annual *Michigan Renewables Energy Program* report was filed to the Commission.

- The Commission has no recommendations for legislation at this time.

Development of a robust competitive market with full customer protection was a high priority for the Commission during the second year of fully open retail electricity markets in Michigan, and will continue to be so in 2004. Further, market development through 2004 should provide the Commission and the Legislature with a greater understanding of the components that can enhance market competition in support of the purposes of Act 141, including supporting healthy Michigan utilities. The Commission will apprise the Governor and the Legislature of any developments that may require action.

Respectfully yours,

MICHIGAN PUBLIC SERVICE COMMISSION

Chair J. Peter Lark

Commissioner Robert B. Nelson

Commissioner Laura Chappelle

Consumers Energy Electric Customer Choice

Consumers Energy's Retail Open Access (ROA) program was established by Commission orders and Act 141. Table 1 shows the numbers of customers and their electricity demand in MW served by each AES in the Consumers Energy ROA program at the end of 2001, 2002 and 2003. The ROA sales served in Consumers Energy's service territory at year-end 2003 totals 658 MW, which represents nearly 40% annual growth. The number of customers served in Consumers Energy's ROA program grew at an average annual rate of 45% in 2003, reaching 814 by the end of the year. Both of these rates are substantially less than the growth in 2002, but still are substantial.

For Consumers Energy customers, nearly 7% of commercial sales and 16% of industrial sales are presently met through ROA. By customer class, the mix is about 30% commercial and 70% industrial. There is no residential customer participation in the Consumers Energy service territory at this time.

Five new AESs began serving customers in Consumers Energy service territory in 2003, and one AES withdrew from the market.[4]

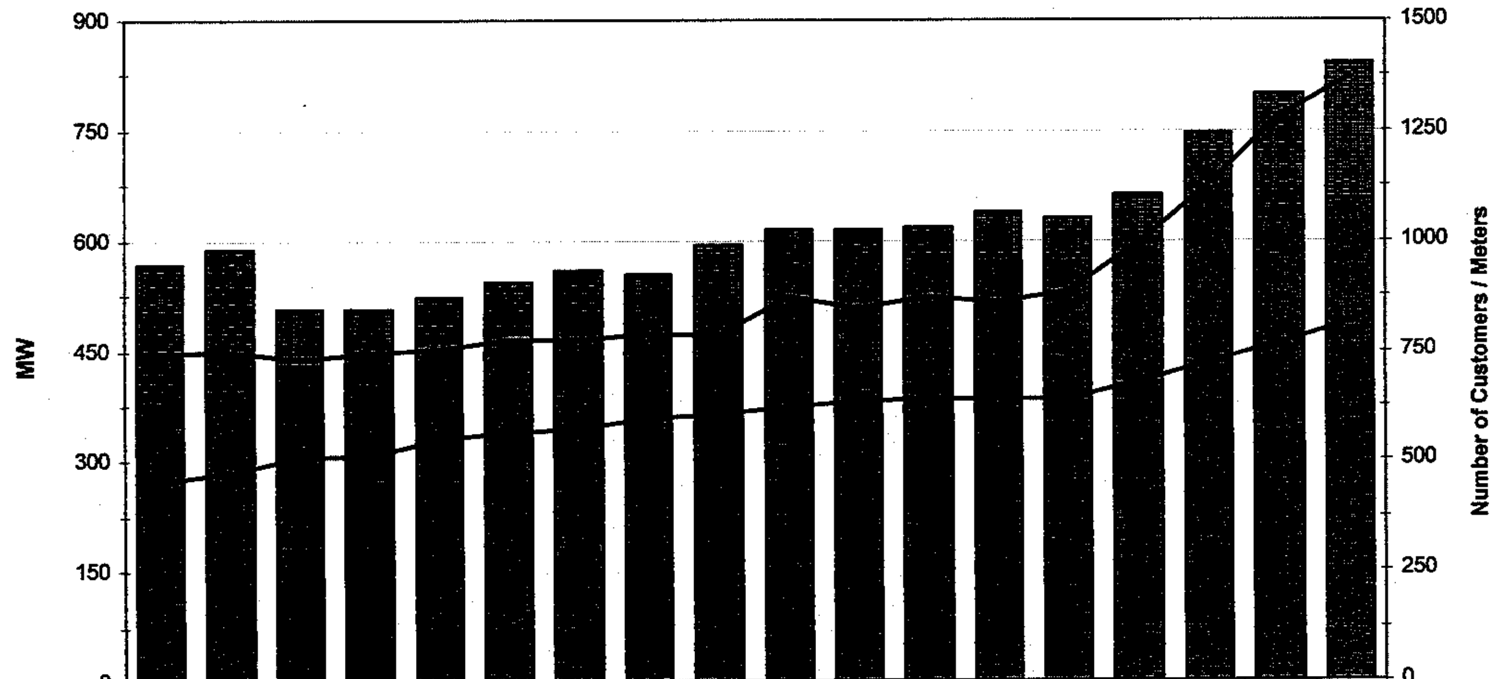
Consumers Energy previously had an experimental open access program, called Direct Access (DA), which is no longer available.

Table 1 – AES Customers in Consumers Energy Service Territory, Year End

AES Name	Number of Customers			MW Served		
	2001	2002	2003	2001	2002	2003
CMS MS&T			2			2
Constellation			183			61
Mirant			4			22
Nicor/EMC		87			25	
Nordic Electric		4	18		25	35
Quest	327	467	494	217	380	411
Sempra			9			13
Strategic			89			9
Wolverine Power	2	5	15	9	43	105
Totals	329	563	814	226	473	658

[4] Thus far, when AESs have exited from either the Consumers Energy or Detroit Edison markets, they have done so gradually, so that customers had ample opportunity to make decisions about finding another supplier or returning to full service from their incumbent utility.

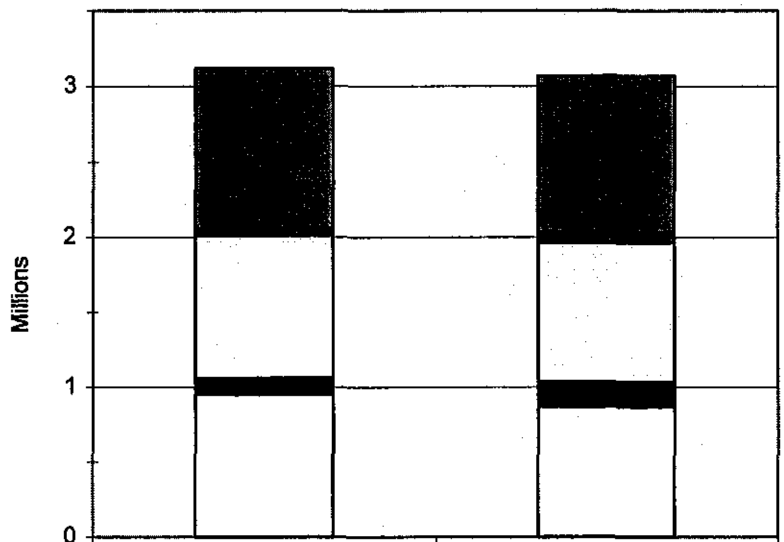
Figure 1: Consumers Energy Electric Customer Choice Program Activity
(Cumulative Numbers of MW & Customers/Meters, Enrolled & In-Service, by Month)



	07/02	08/02	09/02	10/02	11/02	12/02	1/03	2/03	3/03	4/03	5/03	6/03	7/03	8/03	9/03	10/03	11/03	12/03
MW Enrolled	567	589	506	508	523	543	560	555	593	616	614	618	640	631	663	748	801	842
MW In-Service	386	394	430	431	461	473	490	498	516	559	573	578	577	577	599	608	626	658
Customers Enrolled	744	747	731	744	751	774	775	789	783	870	843	870	858	884	995	1124	1278	1374
Customers In-Service	453	476	510	509	551	563	573	594	603	622	632	637	638	639	678	720	766	814

Source: K. Carlson, Consumers Energy Co., Jan. 2004

Figure 2: Consumers Energy Average Sales Per Month
by Customer Class, ROA & Full-Service (MWh)



	2002	12 Months Ending Nov 2003
Residential ROA	0	0
Residential	1,058,170	1,034,580
Commercial ROA	47,230	66,740
Commercial	948,330	929,200
Industrial ROA	110,560	165,320
Industrial	952,920	871,100

Detroit Edison Experimental Retail Access Program

This Detroit Edison program is limited to 90 MW of load. The first customer started taking service on December 6, 1999. As of December 2003 there was a total load of 68.3 MW, representing one customer being served by one alternate supplier. Participating customers were initially selected by lottery. This program is scheduled to end on June 30, 2004.

Detroit Edison Electric Choice Program

Detroit Edison's ROA program was established by Commission orders and Act 141. Table 2 (p. 8) shows the numbers of customers and capacity in MW served by each AES in the Detroit Edison ROA program at the end of 2001, 2002 and 2003. As of year-end 2003, there was a total of 2,070 MW being served by non-