

Office of the Auditor General
Performance Audit Report

Michigan Agency for Energy
Department of Licensing and Regulatory Affairs

December 2018

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



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Office of the Auditor General

Report Summary

Performance Audit

Michigan Agency for Energy (MAE)

Department of Licensing and Regulatory Affairs

Report Number:
641-0171-18

Released:
December 2018

Effective May 2015, Executive Order (EO) No. 2015-10 created MAE. This EO, among other things, transferred activity related to administrative services, customer assistance (including compliance and investigation), energy security, low-income home energy assistance programs, and energy markets from the Michigan Public Service Commission to MAE. MAE serves as the coordinating office responsible for analyzing and making recommendations to the Governor on current and proposed energy programs for all State departments. MAE's mission is to advance an adaptable, affordable, reliable, and environmentally-protective energy future for Michigan. During fiscal year 2017, MAE expended \$8.5 million and had 52 full-time equated staff.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of MAE's efforts to ensure that the customers of Michigan's regulated utilities received timely and appropriate responses to their complaints.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MAE could improve its oversight of utility customer complaints to ensure a more timely resolution. For 82 of 200 complaints reviewed, the utilities did not provide a plan for resolution within 10 business days as required (Finding #1).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MAE could improve the visibility of its customer service area by requiring regulated utilities to include specific contact information on utility billing documents (Observation #1).	Not applicable for observations.		

Audit Objective			Conclusion
Objective #2: To assess MAE's efforts to ensure regulated utilities' compliance with quarterly reporting requirements.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MAE should improve its quarterly reporting model to provide more useful information in the oversight of Michigan's regulated public utilities. Reporting requirements have had minimal changes in 44 years (<u>Finding #2</u>).		X	Agrees

Audit Objective			Conclusion
Objective #3: To report on MAE's use of public utility assessment (PUA) funds.			Information provided
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Although appropriated annually, MAE's use of the PUA fees appears to be in conflict with the statutorily allowed use of the fees (<u>Observation #2</u>).	Not applicable for observations.		

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Doug A. Ringler, CPA, CIA
Auditor General

December 11, 2018

Ms. Shelly Edgerton, Director
Department of Licensing and Regulatory Affairs
Ottawa Building
Lansing, Michigan

Dear Ms. Edgerton:

This is our performance audit report on the Michigan Agency for Energy, Department of Licensing and Regulatory Affairs.

We organize our findings and observations by audit objective. Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it within 60 days of the date above to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

EFFORTS TO ENSURE CUSTOMERS RECEIVE TIMELY AND APPROPRIATE RESPONSES TO COMPLAINTS

BACKGROUND

The Michigan Agency for Energy (MAE) receives public queries and complaints via e-mail, mail, and telephone and in person and documents the receipt, progress, and resolution of queries and complaints in Salesforce* (Exhibit #1). Staff collect customer information, document the customer complaint, and e-mail the complaint to the utility for follow-up. The *Michigan Administrative Code R 460.150(3)* requires that the utility provide a plan for resolution within 10 business days.

MAE evaluates the utility's plan for resolution, notifies the customer of the utility's plan to resolve the issue, and then closes the case*. MAE relies on the customer to inform it if the utility does not complete the plan.

During calendar year 2017, MAE's Customer Assistance Division call center handled nearly 11,600 customer contacts, resulting in approximately 6,200 residential energy cases and dispositions*.

AUDIT OBJECTIVE

To assess the effectiveness* of MAE's efforts to ensure that the customers of Michigan's regulated utilities received timely and appropriate responses to their complaints.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- MAE monitored and compiled monthly statistics on calls, cases, and dispositions for comparison with prior years.
- MAE reopened 168 energy cases, usually at the customer's request, from October 1, 2015 through February 22, 2018 that remained open for more than 14 calendar days. Utilities provided appropriate responses to support the closure of the original case for all 16 (100.0%) randomly selected reopened energy cases.
- MAE attended 143 public events during calendar year 2017 and distributed literature providing customers with tips on ways to save on energy costs and informing customers of available programs to assist customers in times of need.
- Utilities provided a plan for resolution within 10 business days for 118 (59.0%) of 200 randomly selected energy cases that MAE opened or reopened between October 1, 2015 and February 22, 2018.

* See glossary at end of report for definition.

- In 199 (99.5%) of the 200 energy cases reviewed, MAE ensured that the customer received an appropriate response to his/her complaint.
- Observation* regarding improvements to increase awareness of MAE customer service.
- Reportable condition* related to improving oversight of customer complaints.

** See glossary at end of report for definition.*

FINDING #1

Improvement needed to ensure a timely response to customer complaints.

MAE could improve its oversight of utility customer complaints to help ensure a more timely resolution, which could result in improved relations among the customer, the utility, and MAE.

Michigan Administrative Code R 460.150(3), as amended by executive order, requires the utility to provide a plan for resolution within 10 business days of receiving the complaint referral from MAE. MAE received 14,391 complaints during the period October 1, 2015 through February 22, 2018, of which 3,771 remained open more than 14 calendar days. Our review of 200 of the 3,771 complaints noted:

- a. For 82 complaints, the utility did not provide a plan for resolution within 10 business days. Utility response delays varied between 1 and 66 business days, with an average delay of 7.3 business days:

<u>Utility Response Delay</u>	<u>Complaints</u>
1 - 3 Business days	42
4 - 7 Business days	20
8 - 14 Business days	7
15 - 21 Business days	6
22 - 28 Business days	4
>28 Business days	3

Although MAE contacted the utility at least once, this contact occurred 1 to 13 business days beyond the required 10 business days for the 7 cases in which the response time exceeded 21 business days. MAE informed us that each regulation officer is responsible for monitoring his/her own cases and is instructed to follow up with the utilities after the 10 business days have expired.

- b. For 11 complaints, MAE delayed forwarding the complaint to the utility between 2 and 25 business days. However, after receiving the complaint, the utility provided a plan for resolution within 10 business days for 9 of the 11 complaints. MAE indicated that the complaints were not immediately forwarded because of system interface complications or an error in employee oversight and, once discovered, staff immediately forwarded the complaint to the applicable utility.

Utility with largest customer base transitioned to new billing system, which could have affected utility complaint response times.

MAE informed us that during calendar year 2017, the utility with the largest customer base and 58 (70.7%) of the 82 complaints transitioned to a new billing system and issues relating to that transition could have affected response times. Although the *Michigan Administrative Code* requires the utility to resolve the complaint and provide MAE with a plan for resolution within 10 business days, there is no penalty for a utility that does not meet the deadline.

RECOMMENDATION

We recommend that MAE improve its oversight of utility customer complaints to ensure that the customer receives a more timely resolution.

**AGENCY
PRELIMINARY
RESPONSE**

MAE provided us with the following response:

We agree with the recommendation that the MAE improve its oversight of utility customer complaints. There may be a variety of reasons, human or technological, for response times to exceed the response time required by the Michigan Administrative Code. For example, during the study period, the utility with the greatest number of customers in the state was transitioning to a new billing system (Installed in April 2017). There were also weather-related outages and calls generated in response to media coverage of a specific customer issue.

The Customer Assistance Division (CAD) (transferred to the Michigan Public Service Commission as of March 2018 in Executive Order 2018-1) took immediate corrective action by instituting protocols to check timeliness of responses to customer complaints, and by monitoring utility response times each week. The CAD will continue to evaluate whether updates to the Administrative Code should be pursued to address the resolution process for complaints and their timely resolution.

OBSERVATION #1

Improvements could be made to increase awareness of MAE customer service.

MAE could improve the visibility of its customer service area by requiring regulated utilities to include specific contact information on utility billing documents.

During calendar year 2017, MAE reached over 20,000 (0.3%) utility customers through outreach activities and helped resolve customer complaints (Exhibit #2). However, utilities have over 7.5 million electric and natural gas residential customers who could be reached every month through their utility bills. MAE could consider including an informational flyer along with the monthly billing statements or request the utility to include specific contact information for MAE on the utilities' monthly billing statements.

MAE staff attend various functions throughout the State to inform the public about their rights as a utility customer. Staff speak with and respond to questions from attendees, record customer complaints, and hand out materials to educate citizens on ways to save on energy costs. These events target different audiences such as renters/homeowners, veterans, senior citizens, low-income individuals/households, businesses, and others. During calendar year 2017, MAE attended 143 events, logging over 15,000 contacts at senior centers, customer assistance events hosted by utilities, county fairs, home shows, and health fairs, and helped resolve over 5,200 customer complaints.

MAE could reach more customers by including contact information on the utilities' monthly billing statements.

Our review of monthly billing statements for the two largest utilities verified that the statements disclosed that the utility was regulated by the Michigan Public Service Commission (MPSC) as required by the *Michigan Administrative Code* R 460.117(1)(m). However, the billing statements did not include additional contact information for the MAE customer service area or identify that MAE could be contacted if the customer believed that the utility was not properly handling the customer's concern. MAE could reach more customers if it required specific contact information on the utilities' monthly billing statements, regardless of how the customer receives the billing statement.

COMPLIANCE WITH REGULATED UTILITY QUARTERLY REPORTING REQUIREMENTS

BACKGROUND

Michigan Administrative Code R 460.151 requires all electric and natural gas utilities subject to regulation of MPSC to file the following metrics on a quarterly basis:

- The payment performance of its customers in relation to established due and payable periods.
- The number and general description of all complaints registered with the utility.
- The number of shut-off notices issued by the utility and the reasons for the notices.
- The number of hearings held by the utility, the types of disputes involved, and the number of complaint determinations issued.
- The number of written settlement agreements entered into by the utility.
- The number of service shut-offs and reconnections.
- All other customer service quality information requested by MPSC staff.

Interested parties use the data for investigations; presentations; identifying issue, cause, and trend information; monitoring of programs; and media requests.

AUDIT OBJECTIVE

To assess MAE's efforts to ensure regulated utilities' compliance with quarterly reporting requirements.

CONCLUSION

Moderately effective.

FACTORS IMPACTING CONCLUSION

- MAE obtained all quarterly reports from calendar years 2014 through 2017 for all electric and natural gas utilities subject to MPSC jurisdiction.
- MAE added one new metric to the 2018 first quarter reporting model for a utility to report shut-offs prevented or power restored for a customer identified as needing power to support lifesaving medical equipment.
- Reportable condition related to:
 - The reporting model not collecting information specific to power outages.
 - Utilities not reporting all required data metrics.

- MAE not including all metrics identified in the *Michigan Administrative Code R 460.151* on the quarterly reporting model, such as the reason why the utility sent shut-off notices to customers.
- Utilities interpreting and reporting certain metrics differently.
- Utilities underreporting complaints forwarded from MAE.

FINDING #2

Improvements needed for quarterly reporting model to provide useful information.

Minimal information reported to MAE regarding power outages.

MAE should improve its quarterly reporting model to provide more useful information in the oversight of Michigan's regulated public utilities, minimizing the risk that interested parties could reach inaccurate assessments and conclusions.

Michigan Administrative Code R 460.151 requires all electric and natural gas utilities, 16 of which were subject to the jurisdiction of MPSC during our audit period, to report various metrics on a quarterly basis (Exhibits #3 and #4). These reporting requirements, initiated 44 years ago in 1974, have included some additions with few, if any, deletions. Although MAE can refer to these reports once an issue is identified via other means, MAE is not required to review, validate, or audit the quarterly reports for completeness and accuracy. These reports may also be requested by interested parties through the Freedom of Information Act. We noted:

- a. The current reporting model includes minimal information associated with power outages. Although utilities report total outage contacts during the month, information regarding the location, frequency, and duration of power outages may provide insight on the sufficiency of a utilities' infrastructure, along with explanations to support the number and frequency of customer complaints. Additional information may be useful in the regulation of the utilities.
- b. Seven judgmentally selected regulated utilities submitted 69 (74.2%) of 93 quarterly reports during calendar years 2014 through 2017 with required data metrics identified as "n/a" or left blank (Exhibit #5). Several of the smaller utilities stated that they are unable to collect these metrics because of limitations in their computer information systems.

MAE did not pursue compliance with the required reporting data because the costs required to the utilities' computer information systems would likely be passed on to the customers.

- c. Regulated utilities did not include the reasons why customers were issued shut-off notices. This metric required by the *Michigan Administrative Code R 460.151* since 1975 was not included on MAE's reporting model.

MAE informed us that it was more concerned with the utility reporting the number of actual disconnections related to non-payment for the two largest utilities than the reasons why notices were issued if no actual disconnection occurred.

- d. Regulated utilities interpreted certain metrics differently. For example, utilities are required to report the number of customers who pay by the due date and the number of customers who are delinquent 30 days or more, 60 days

Utilities lack consistency in reporting certain metrics on the quarterly reports.

or more, and 90 days or more. Some utilities report a customer who is delinquent 90 days or more in that category only, while other utilities would report the customer as delinquent in all three categories.

- e. Differences between information reported by the utilities and information documented in Salesforce, MAE's customer relationship management system used to document, manage, monitor, and track customer complaints.

For example, the number of complaints received by MAE and forwarded to the utility documented in Salesforce for one of the larger utilities for one quarter was 9.2% greater than reported by the utility for the same quarter in 2017:

	October	November	December	Total
Documented in Salesforce	146	105	118	369
Reported by utility	129	100	109	338
Difference	17	5	9	31
Percent difference	13.2%	5.0%	8.3%	9.2%

MAE was unable to determine the reason for the differences without following up with the utility.

RECOMMENDATIONS

We recommend that MAE improve its quarterly reporting model to provide more useful information in its oversight of Michigan's regulated public utilities.

We also recommend that MAE monitor and evaluate the information reported by the regulated public utilities on the quarterly reports to ensure its accuracy and completeness.

AGENCY PRELIMINARY RESPONSE

MAE provided us with the following response:

We agree that the MAE should improve its quarterly reporting model. Executive Order 2018-1 transferred the CAD to the Michigan Public Service Commission (MPSC). As part of the MPSC, the CAD will now have full access to utility reports, including the electric distribution performance standard report, average answer speed report, among others, from utilities to assist in their oversight of utility customer service complaints. For example, in the electric distribution performance standard report, details regarding power outages, their duration, and affected customers are provided annually. In addition, the CAD reviews the Administrative Rules to identify the most useful and timely metrics and adjusts the reporting requirements on an ongoing basis. Most recently, corrective action has been taken. A staff member has been assigned to evaluate the quarterly reports, and utilities will submit their reports through the customer management system used by the CAD for improved monitoring, coordination and review.

USE OF PUA FUNDS

BACKGROUND

A public utility* contributes an assessment that funds the cost of regulation. The Department of Licensing and Regulatory Affairs (LARA) bills each public utility based on its proportionate share of total revenue reported by all public utilities. The fees collected are deposited into a public utility assessment (PUA) account and are to be utilized solely to finance the cost of regulating public utilities.

During fiscal year 2017, LARA collected \$34.3 million.

AUDIT OBJECTIVE

To report on MAE's use of PUA funds.

CONCLUSION

Information provided. See Observation #2 and Exhibit #6.

* See glossary at end of report for definition.

OBSERVATION #2

Disparity between statutory requirements and funding sources.

Funding sources provided to MAE appear to be in conflict with the type of activity actually performed.

MAE was created in 2015 with the intent of combining non-regulatory energy-related program functions under the oversight of one agency, including:

- a. Analyzing and making recommendations to the Governor on proposed programs and policies.
- b. Directly administering certain energy-related programs.
- c. Serving as the coordinating office for all agencies with energy-related program responsibilities.
- d. Providing information and assistance to all executive branch State departments and agencies.

MAE's funding sources include federal, General Fund/general purpose, and State restricted funds. For the fiscal years 2016 and 2017, PUA funds (State restricted) provided 72.0% and 79.3%, respectively, of MAE's funding:

Funding Source	2016		2017	
	Expenditures	Percentage of Expenditures	Expenditures	Percentage of Expenditures
Public utility assessment	\$5,963,421	72.0%	\$6,736,006	79.3%
Federal	1,649,722	19.9%	1,249,278	14.7%
General Fund/general purpose	342,167	4.1%	328,422	3.9%
Other State restricted	327,333	4.0%	181,709	2.1%
	\$8,282,643	100%	\$8,495,415	100%

Sections 460.112 and 460.115 of the *Michigan Compiled Laws* require regulated public utilities to pay an assessment to the State to cover the cost of regulation and states that all funds collected are to be utilized solely to finance the cost of regulating public utilities.

Because MAE was established to perform non-regulatory activity related to energy programs, the funding sources provided to MAE appear to be in conflict with the type of activity actually performed by some MAE staff.

We also noted:

- The State has administered various energy assistance programs for low-income households since 2001. All of these programs have used PUA funds for program oversight that is not directed at public utilities or the regulation of public utilities.

- PUA funds Michigan Energy Assistance Program (MEAP) activities. Section 400.1233 of the *Michigan Compiled Laws* provides energy assistance for low-income households and permits the Michigan Department of Health and Human Services (MDHHS) to use a portion of the assistance for necessary administrative expenses. MDHHS entered into a memorandum of understanding with MAE that authorizes the use of low-income home energy assistance funding for 2.5 full-time equated (FTE) positions. Although MAE had 6.6 FTEs working in the MEAP section during fiscal year 2017, MAE used low-income home energy assistance funding for 2.2 FTEs and PUA funds for the remaining 4.4 FTEs.
- PUA funds MAE executive section activity which includes the executive director and the deputy director, whose activity would typically not be regulatory in nature.
- PUA funds staff performing emergency preparedness activity, such as monitoring the price of utility sources that are not regulated by MPSC.

We did not report this as a finding because it did not appear that the work duties of the staff who were transferred to MAE changed much from when they worked under MPSC. Also, MAE informed us that the regulated utilities did not object to the EO or the use of PUA revenues to fund MAE. Although these funding conflicts have existed for many years, MAE is spending the funds in accordance with the annual appropriations acts.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

MICHIGAN AGENCY FOR ENERGY
Department of Licensing and Regulatory Affairs

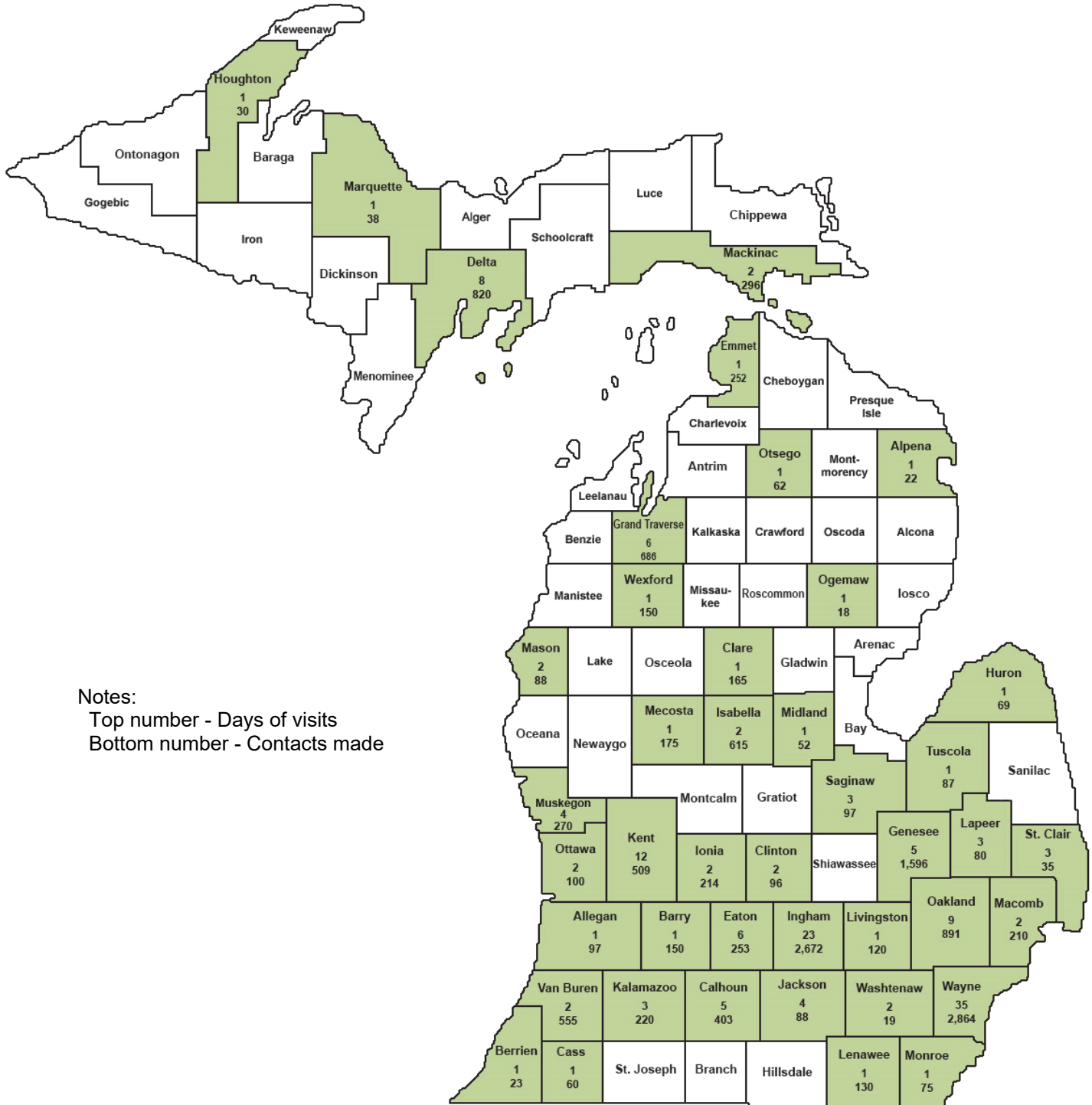
Energy Case Customer Service Activity
From December 31, 2015 Through December 31, 2017

Company Name	Open at December 31, 2015	January 1, 2016 Through December 31, 2016		Open at December 31, 2016	January 1, 2017 Through December 31, 2017		Open at December 31, 2017
		Opened	Closed		Opened	Closed	
DTE Energy	74	2,123	2,128	69	2,824	2,802	91
Consumers Energy	41	2,117	2,106	52	1,647	1,657	42
Upper Peninsula Power Company	0	141	140	1	64	62	3
Michigan Gas Utilities Corporation	1	91	90	2	90	90	2
Indiana-Michigan Power	5	68	71	2	69	69	2
SEMCO Energy Gas Corporation	1	29	30	0	25	23	2
Wisconsin Electric Power Company	0	2	1	1	7	7	1
Wisconsin Public Service Corporation	0	1	1	0	3	2	1
Alpena Power Company	0	4	3	1	2	3	0
Bayfield Electric Cooperative	0	0	0	0	0	0	0
Cloverland Electric Cooperative	0	4	4	0	2	2	0
Midwest Energy Cooperative	0	7	7	0	5	5	0
Northern States Power Company - Wisconsin (Xcel)	0	4	3	1	6	7	0
Presque Isle Electric & Gas Cooperative	1	3	4	0	2	2	0
Thumb Electric Cooperative	0	6	6	0	6	6	0
Upper Michigan Energy Resources Corporation	0	0	0	0	1	1	0
Other	24	814	819	19	682	663	38
Total Activity	147	5,414	5,413	148	5,435	5,401	182

Source: The OAG prepared this exhibit based on Salesforce query of customer service utility cases.

MICHIGAN AGENCY FOR ENERGY
 Department of Licensing and Regulatory Affairs

**Days of Visits and Contacts Made by the External Affairs Section
 For Calendar Year 2017**



Notes:
 Top number - Days of visits
 Bottom number - Contacts made

Source: The OAG prepared this exhibit based on Salesforce query of calendar year 2017 External Affairs Section outreach events.

MICHIGAN AGENCY FOR ENERGY
Department of Licensing and Regulatory Affairs
Regulated Utility Quarterly Report Summaries
For Calendar Year 2017

Consumers Energy	DTE Energy	SEMCO Energy Gas Corporation	Michigan Gas Utilities Corporation	Indiana-Michigan Power	Upper Peninsula Power Company	Upper Michigan Resources Corporation ¹	Alpena Power Company	Northern States Power Company - Wisconsin	Presque Isle Electric & Gas Cooperative	Bayfield Electric Cooperative	Total	
MPSC Forms and USDA Report:												
Average number of residential customers per month												
Electricity	1,814,704	2,181,941	SNP	SNP	127,354	52,165	36,727	17,691	8,962	SNP	8,966	4,248,510
Natural Gas	1,760,269	1,086,978	278,978	150,575	SNP	SNP	SNP	SNP	5,737	9,308	SNP	3,291,845
Total	<u>3,574,973</u>	<u>3,268,919</u>	<u>278,978</u>	<u>150,575</u>	<u>127,354</u>	<u>52,165</u>	<u>36,727</u>	<u>17,691</u>	<u>14,699</u>	<u>9,308</u>	<u>8,966</u>	<u>7,540,355</u>

Utility Quarterly Reports:

Customer Service												
Total customer contacts	10,897,572	29,452,641	606,450	229,532	314,733	114,629	n/a	3	21,295	866	0	41,637,721
Total escalated complaints □	1,418	2,232	22	85	57	53	6	3	1	0	0	3,877
Billing Complaints:												
Billing error	8	397	0	26	2	6	0	0	0	0	0	439
Billing surcharges	8	9	3	3	12	0	0	0	0	0	0	35
Estimated billing	23	42	0	5	0	9	0	0	0	0	0	79
High bill or usage	158	97	0	7	8	11	2	0	0	0	0	283
Identity theft	5	44	0	0	0	1	0	0	0	0	0	50
Prepaid billing	0	0	0	0	0	0	0	0	0	0	0	0
Rates too high	92	35	2	0	0	3	0	0	0	0	0	132
Responsibility for bill	54	60	2	2	0	0	0	0	0	0	0	118
Transfer of existing balance	26	12	1	0	2	0	0	0	0	0	0	41
Service Complaints:												
Advanced metering infrastructure	28	116	0	0	0	0	0	0	0	0	0	144
Delays - New or extension service	165	63	2	16	6	0	0	0	0	0	0	252
Delays - Restoration of shutoff service	1	25	0	6	2	0	0	0	0	0	0	34
Easements - Right of way	23	0	0	0	2	0	1	0	0	0	0	26
Meter measurement issues	26	0	0	3	0	0	0	0	0	0	0	29
Net metering/interconnection	0	0	0	0	0	0	0	0	0	0	0	0
Outages/Interruptions	105	324	0	0	7	0	0	0	0	0	0	436
Repair & maintenance	206	214	1	5	1	0	0	0	0	0	0	427
Stray voltage	0	43	0	0	0	0	0	0	0	0	0	43
Tree trimming	30	35	0	0	0	0	0	1	0	0	0	66
Credit and Collection Complaints:												
Credit reporting/collection	0	0	0	8	0	0	0	0	0	0	0	8
Delinquent account	100	200	4	0	0	1	1	0	0	0	0	306
Deposit	10	74	0	1	7	0	0	1	1	0	0	94
Payment/Settlement agreements	83	98	2	3	2	1	0	0	0	0	0	189
Shutoff/Physical discontinuation	100	65	3	0	5	18	1	0	0	0	0	192
Unauthorized usage	144	76	1	0	0	1	0	1	0	0	0	223
Other Complaints:												
Civil/Damage claims	5	25	0	0	1	0	1	0	0	0	0	32
Rebates - Energy efficiency	13	2	0	0	0	0	0	0	0	0	0	15
Rebates - Renewable energy	3	1	0	0	0	0	0	0	0	0	0	4
Miscellaneous	2	175	1	0	0	2	0	0	0	0	0	180
Number of customers accepting results of utility investigation	1,408	2,193	21	84	57	53	6	2	0	0	0	3,824
Number of settlement agreements prior to escalating complaint	123,105	102,713	1	11,641	13,245	0	4,245	0	0	0	0	254,950

This exhibit continued on next page.

	Consumers Energy	DTE Energy	SEMCO Energy Gas Corporation	Michigan Gas Utilities Corporation	Indiana-Michigan Power	Upper Peninsula Power Company	Upper Michigan Energy Resources Corporation ¹	Alpena Power Company	Northern States Power Company - Wisconsin	Presque Isle Electric & Gas Cooperative	Bayfield Electric Cooperative	Total
Informal Hearings												
Number of hearings requested	9	39	0	0	0	0	0	0	0	0	0	48
Number of hearings scheduled	8	33	0	0	0	0	0	0	0	0	0	41
Number of settlement agreements prior to hearing determination	2	1	0	0	0	0	0	0	0	0	0	3
Total number of hearing determinations issued	5	7	0	0	0	0	0	0	0	0	0	12
(a) Hearings resolved in favor of customer	0	0	0	0	0	0	0	0	0	0	0	0
(b) Hearings resolved in favor of company	5	7	0	0	0	0	0	0	0	0	0	12
(c) Hearings resulting in compromise	30	13	0	0	0	0	0	0	0	0	0	43
Number of hearings appealed to Michigan Public Service Commission	0	2	0	0	0	0	0	0	0	0	0	2
List reason(s) for any hearing. Freeform area. Please briefly list reasons for any customer hearing.	<ul style="list-style-type: none"> • Theft • Meter accuracy • Balance dispute • CARE Program • High bill • Billing dispute 	<ul style="list-style-type: none"> • Billing dispute • Reconnect fees • Billing • Deposit dispute • High bill • Theft • AMI 	none	none	none	none	none	none	none	none	none	none
Shutoff Information												
Total residential discontinuation notices issued at end of month ²	1,537,454	1,154,906	42,021	24,147	148,230	11,006	4,307	13,446	0	751	8	2,936,276
Number of customers physically discontinued due to non-payment	141,791	153,646	7,309	2,704	6,820	1,766	244	162	195	14	0	314,651
(a) Electric	106,798	137,390	0	0	6,820	1,998	244	162	161	0	0	253,573
(b) Natural gas	34,993	16,256	7,309	2,704	0	0	0	0	34	14	0	61,310
Discontinuations prevented or restored due to "medical emergency"	6,055	1,451	86	133	188	227	41	5	6	0	0	8,192
Restoration Information												
Total number restored	130,856	101,297	3,395	1,219	5,220	1,427	185	118	133	16	0	243,866
(a) Electric	102,915	92,607	0	0	5,220	1,427	185	118	120	0	0	202,592
(b) Natural gas	27,941	8,690	3,395	1,219	0	0	0	0	13	16	0	41,274
Total restored receiving assistance	17,392	1,165	195	0	blank	219	blank	27	42	1	0	19,041
(a) Electric	14,520	919	0	0	blank	219	blank	27	34	0	0	15,719
(b) Natural gas	2,872	246	195	0	0	0	0	0	11	1	0	3,325
Outage Information												
Total outage contacts during month	1,304,642	862,759	0	0	61,772	23,707	blank	19,627	898	0	5	2,273,410

¹ To obtain a yearly total, first quarter statistics include Wisconsin Electric Power Company (WEPC) and Wisconsin Public Service Corporation (WPSC). The second, third, and fourth quarter statistics include Upper Michigan Energy Resources Corporation (UMERC), which resulted from the merger of WEPC and WPSC.

² This represents instances; therefore, one customer could appear multiple times throughout the year.

SNP = Service not provided.

n/a or blank = System limitation as verified through communication with the utility.

MICHIGAN AGENCY FOR ENERGY
Department of Licensing and Regulatory Affairs

Regulated Utility Quarterly Report Summary
For the Month Ended December 31, 2017

	Consumers Energy	DTE Energy	SEMCO Energy Gas Corporation	Michigan Gas Utilities Corporation	Indiana- Michigan Power	Upper Peninsula Power Company	Upper Michigan Energy Resources Corporation	Alpena Power Company	Northern States Power Company - Wisconsin	Presque Isle Electric & Gas Cooperative	Bayfield Electric Cooperative
Home Heating Credit											
Number of energy drafts received by end of month	238	433	75	113	28	2	5	3	18	1	0
Number of energy drafts refunded by end of month	82	70	239	15	5	0	0	0	0	0	0
Customer Payment Performance											
Number of customers paid by the due date	1,997,360	1,884,031	253,283	134,264	83,658	n/a	n/a	13,107	5,432	581	57
Number of customers delinquent 30 days or more	585,447	97,297	50,297	12,901	19,562	n/a	8,254	2,222	814	66	2
Number of customers delinquent 60 days or more	233,996	84,033	16,348	4,828	4,801	n/a	5,011	762	546	15	2
Number of customers delinquent 90 days or more	267,447	556,753	6,171	9,669	1,997	n/a	3,565	408	476	9	2
Senior Citizens											
Total seniors identified	699,691	769,806	83,078	286	19,235	35	n/a	3,216	6	0	0
Winter Protection Plan (WPP)											
Total enrolled in program at end of month	10,757	303	149	481	111	52	DNP	8	0	0	0
(a) Number of low-income customers enrolled at end of month	5,004	103	6	195	n/a	17	DNP	5	0	0	0
(b) Number of seniors enrolled at end of month	5,753	187	143	286	n/a	35	DNP	3	0	0	0
Number of defaults at end of month	351	217	11	12	3	0	DNP	0	0	0	0
Alternative Shutoff Protection Program (ASPP)											
Total enrolled in program at end of month	71,587	81,384	0	0	DNP	DNP	DNP	0	0	0	0
(a) Number of low-income customers enrolled at end of month	29,187	50,554	0	0	DNP	DNP	DNP	0	0	0	0
(b) Number of seniors enrolled at end of month	42,400	23,785	0	0	DNP	DNP	DNP	0	0	0	0
Number of defaults at end of month	7,821	39,429	0	0	DNP	DNP	DNP	0	0	0	0
State of Michigan Energy Assistance											
MDHHS Vendor Payments - Number enrolled at end of month	29	12	8	0	blank	2	blank	1	0	0	0
MDHHS State Emergency Relief (SER) - Number assisted at end of month	5,118	2,374	106	100	325	51	blank	27	13	0	0

n/a or blank = System limitation as verified through communication with the utility.
DNP = Utility does not participate in the program as verified through communication with the utility.

Source: The OAG prepared this exhibit based on utility quarterly reports provided by MAE.

MICHIGAN AGENCY FOR ENERGY
Department of Licensing and Regulatory Affairs

Quarterly Reports Submitted
From January 1, 2014 Through December 31, 2017

Regulated Utility Company	Electric	Natural Gas	Calendar Year 2014				Calendar Year 2015				Calendar Year 2016				Calendar Year 2017			
			1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Selected for Detailed Review																		
Consumers Energy	✓	✓	I	I	I	I	I	I	C	C	C	C	C	C	C	C	C	
DTE Energy	✓	✓	C	C	C	C	C	C	C	C	C	C	C	C	C	I	I	C
Indiana-Michigan Power (American Electric Power)	✓		I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	
Upper Michigan Energy Resources Corporation (UMERC) ¹	✓															I	I	I
Wisconsin Electric Power Company (WEPC) ¹	✓		I	I	I	I	I	I	I	I	I	I	I	I	I			
Wisconsin Public Service Corporation (WPSC) ¹	✓	✓	I	I	I	I	I	I	I	I	I	I	I	I	I			
Upper Peninsula Power Company (UPPCO)	✓		I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	
Verified Receipt of Reports																		
Alpena Power Company	✓		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Bayfield Electric Cooperative	✓		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Cloverland Electric Cooperative ²	✓		X	X	X	X	X	X	X	X								
Michigan Gas Utilities Corporation		✓	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Midwest Energy Cooperative ²	✓		X	X	X	X	X	X										
Northern States Power Company - Wisconsin (Xcel)	✓	✓	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Presque Isle Electric & Gas Cooperative ³		✓	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
SEMCO Energy Gas Corporation		✓	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	
Thumb Electric Cooperative ²	✓		X	X	X	X	X	X	X	X	X	X	X					
C - Complete quarterly report			I - Incomplete quarterly report				X - Submitted quarterly report (auditor did not determine if it was complete or incomplete)											

¹ WEPC and WPSC combined to form UMERC.

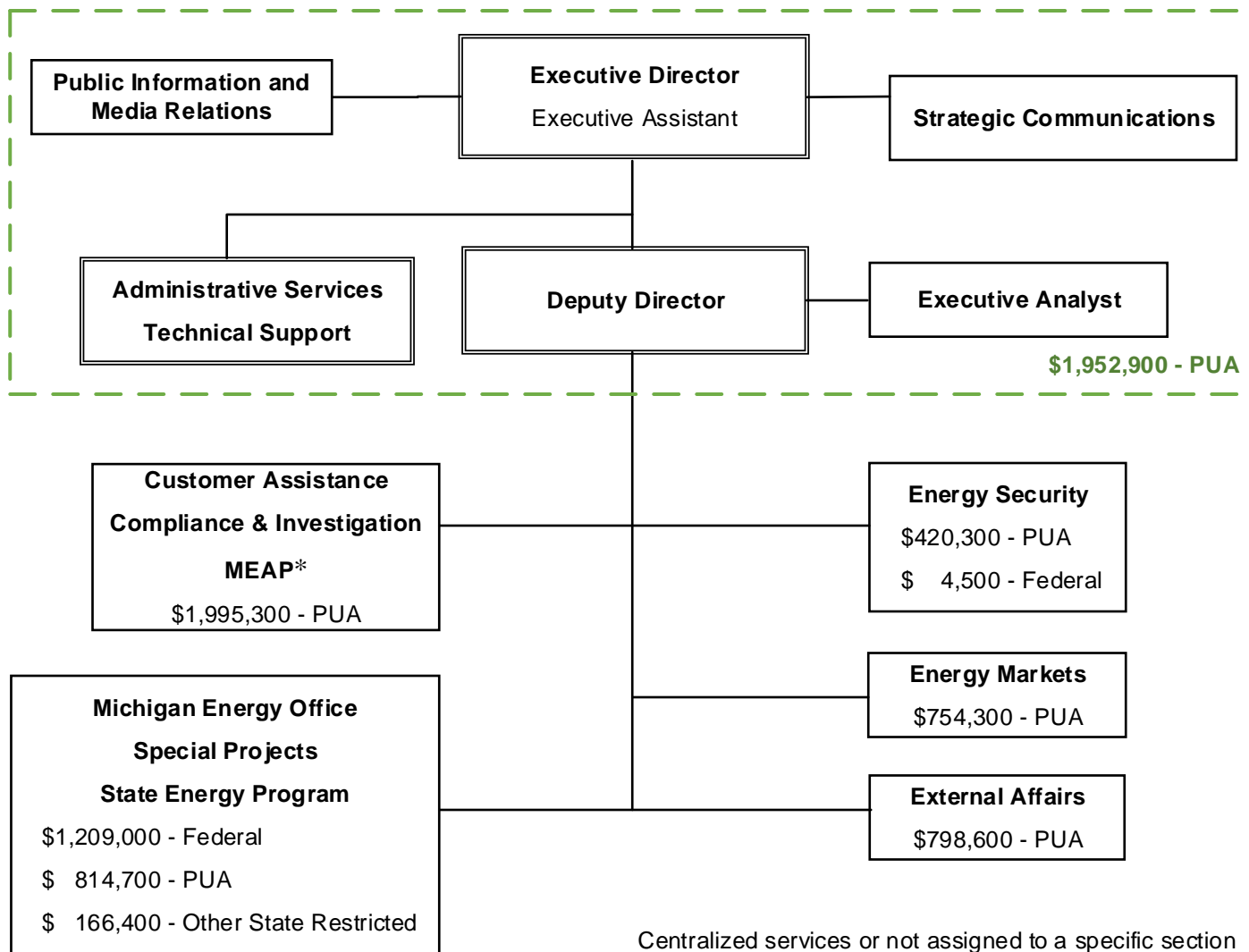
² This company became member-regulated during the audit period and was no longer required to submit quarterly reports.

³ This company provides both electricity and natural gas. However, MPSC has authority over only the natural gas as the electric is member-regulated.

Source: The OAG prepared this exhibit based on utility quarterly reports provided by MAE.

MICHIGAN AGENCY FOR ENERGY
Department of Licensing and Regulatory Affairs

Expenditures by Funding Source
From October 1, 2016 Through September 30, 2017



Centralized services or not assigned to a specific section of the organization chart:

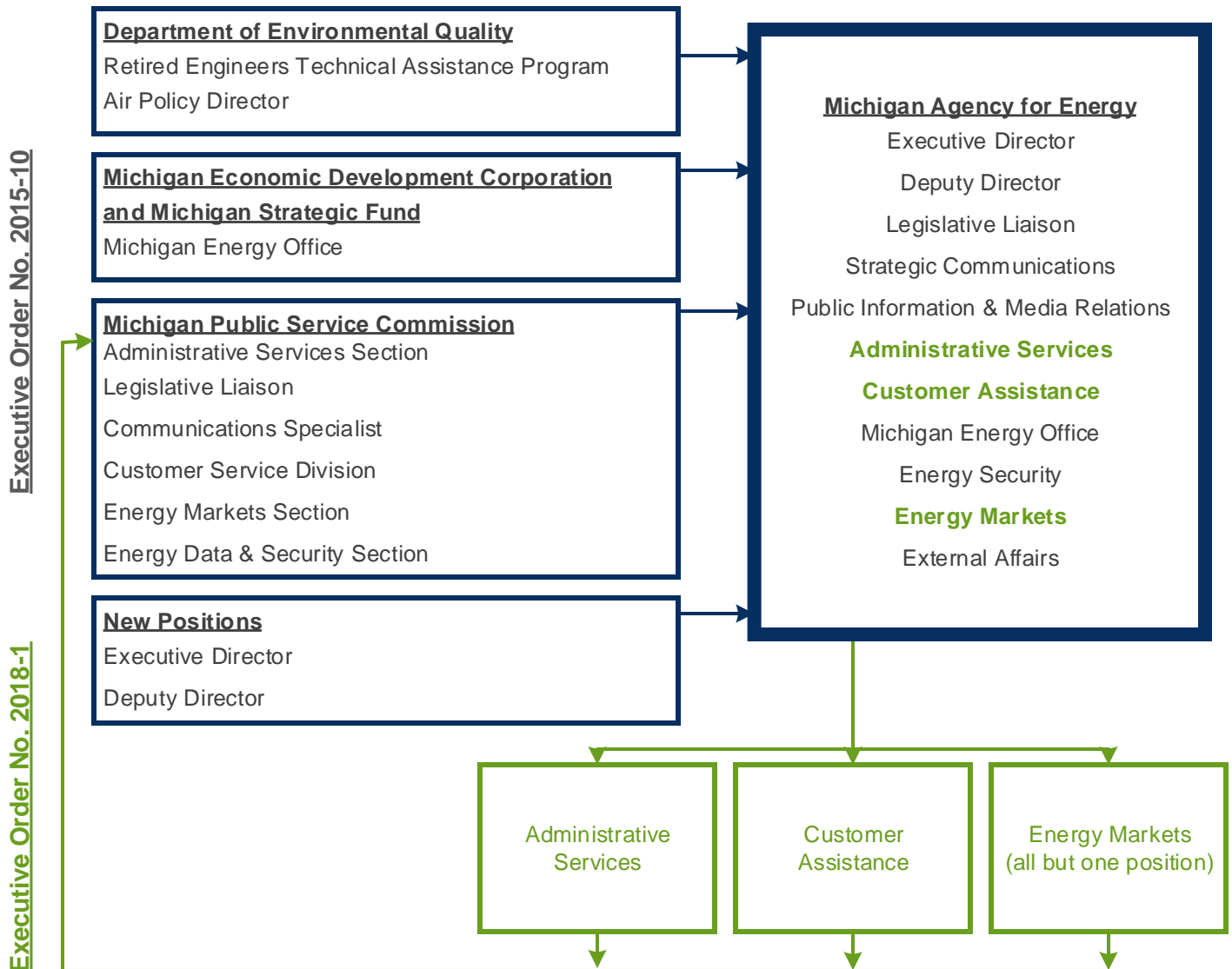
- \$328,400 - General Fund/general purpose
- \$ 35,700 - Federal
- \$ 15,300 - Other State restricted

*An additional \$249,000 was expended on the MEAP program at MDHHS. See Observation #2.

Source: The OAG created this exhibit using the MAE organization chart prior to March 9, 2018 and MAE expenditures recorded in MAIN.

MICHIGAN AGENCY FOR ENERGY
Department of Licensing and Regulatory Affairs

Results of Executive Order Nos. 2015-10 and 2018-1



Source: The OAG created this exhibit from Executive Order Nos. 2015-10 and 2018-1.

AGENCY DESCRIPTION

Effective May 2015, Executive Order (EO) No. 2015-10 created MAE. This EO, among other things, transferred activity related to administrative services, customer assistance (including compliance and investigation), energy security, low-income home energy assistance programs, and energy markets from MPSC to MAE (Exhibit #6). In addition, this EO also transferred the Michigan Energy Office, previously located within the Michigan Economic Development Corporation and the Michigan Strategic Fund, to MAE (Exhibit #7). MAE serves as the coordinating office responsible for analyzing and making recommendations to the Governor on current and proposed energy programs for all State departments.

MAE's mission* is to advance an adaptable, affordable, reliable, and environmentally-protective energy future for Michigan. MAE's work focuses on several areas including:

- Customer assistance where MAE staff assist Michigan residents with questions regarding their utility service and billing questions that have not been resolved by contacting their utility provider.
- Energy security where MAE is responsible for recommending declarations of energy emergencies to the governor.
- Energy reliability where MAE ensures that Michigan residents receive the energy that they need at a fair price.
- Energy policy and expertise where MAE provides background information and expertise to energy policymakers.
- Innovation and best practices where MAE is looking at new ways to reduce energy waste, protect the environment, and produce cleaner energy.

The Administrative Services Division, the Customer Assistance Division, and the Energy Markets Section (less one position which will continue to represent MAE at State, regional, and federal forums) were transferred back to MPSC in March 2018 under EO No. 2018-1.

During fiscal year 2017, MAE expended \$8.5 million and had 52 full-time equated staff.

* See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes of MAE. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered January 1, 2014 through March 31, 2018.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of MAE's operations and activities to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed MAE management and staff to obtain an overall understanding of MAE's functions and responsibilities.
- Reviewed applicable laws, executive orders, policies, procedures, and manuals.
- Reviewed a radio interview and testimony provided at several Energy Policy Committee meetings to obtain a better understanding of MAE's activities and issues presented.
- Analyzed financial information available from October 1, 2014 through September 30, 2017.
- Analyzed customer complaints that were opened or reopened October 1, 2015 through February 22, 2018.
- Reviewed 24 randomly sampled customer complaints from a population of 14,415 cases that were either opened or reopened October 1, 2015 through February 22, 2018 to validate MAE's process for receiving, documenting, forwarding, and responding to customer complaints.
- Obtained and analyzed quarterly reports covering the period October 1, 2015 through December 31, 2017 for 7 of 15 utilities required to submit quarterly reports.

* See glossary at end of report for definition.

OBJECTIVE #1

To assess the effectiveness of MAE's efforts to ensure that the customers of Michigan's regulated utilities received timely and appropriate responses to their complaints.

To accomplish this objective, we:

- Randomly sampled 200 customer complaints from a population of 3,771 complaints received October 1, 2015 through February 22, 2018 that were not closed within 10 business days to determine that:
 - MAE forwarded the complaint to the utility for follow-up in a timely manner.
 - The utility responded to MAE with a plan for resolution within 10 business days.
 - MAE evaluated whether the utility's resolution appeared appropriate.
 - MAE shared the utility's plan for resolution with the customer.

Because the population of cases not closed within 10 business days does not necessarily correlate to the cases where the utility did not provide a response within 10 business days, we did not project the sample results to the entire population.

- Randomly sampled 16 reopened customer complaints from a population of 168 cases reopened and remaining open more than 14 calendar days from October 1, 2015 through February 22, 2018 to assess if the case was appropriately resolved prior to the initial closing. The random sample was selected to eliminate any bias and enable us to project the results to the population.

OBJECTIVE #2

To assess MAE's efforts to ensure regulated utilities' compliance with quarterly reporting requirements.

To accomplish this objective, we:

- Analyzed the quarterly report template to ensure that the required metrics were included in accordance with the *Michigan Administrative Code R 460.151*.
- Interviewed MAE staff and reviewed *Michigan Compiled Laws* and MPSC cases to compile a list of regulated utilities subject to quarterly reporting requirements.
- Confirmed that all regulated utilities submitted quarterly reports to MAE.

- Reviewed the completeness of quarterly reports covering the period January 2014 through December 2018 for 7 of 16 judgmentally selected regulated utilities. We selected the 2 utilities with the largest customer base and using auditor judgment selected the remaining 5 utilities. Because of our judgmental sample, we could not project our results to the population.
- Contacted 7 regulated utilities and inquired about quarterly report preparation and submission, guidance provided by MAE to the utilities, MAE's contact with the utilities, and various other aspects of the quarterly reporting.
- Compared the complaints identified on the quarterly reports with those documented in Salesforce for 3 utilities for a one-year period.
- Obtained utility support for complaints reported on the quarterly report for one utility for one quarter.

OBJECTIVE #3

To report on MAE's use of PUA funds.

To accomplish this objective, we:

- Extracted the expenditures charged to MAE's appropriations from the Michigan Administrative Information Network (MAIN).
- Identified the State departments that utilize PUA funding from the appropriations acts.
- Analyzed EO Nos. 2015-10 and 2018-1.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 2 findings and 3 corresponding recommendations. MAE's preliminary response indicates that it agrees with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100)

* See glossary at end of report for definition.

require an audited agency to develop a plan to comply with the recommendations and to submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information presented as Exhibits #1 through #7. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

case	A customer call referred to a public utility requiring a plan for resolution from the public utility.
disposition	A customer call not referred to a public utility.
effectiveness	Success in achieving mission and goals.
EO	Executive Order.
FTE	full-time equated.
LARA	Department of Licensing and Regulatory Affairs.
MAE	Michigan Agency for Energy.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
MEAP	Michigan Energy Assistance Program.
Michigan Administrative Information Network (MAIN)	The State's automated administrative management system that supported accounting, purchasing, and other financial management activities through fiscal year 2017.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
MPSC	Michigan Public Service Commission.
observation	A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.

performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
PUA	public utility assessment.
public utility	A steam, heat, electric, power, gas, water, wastewater, telecommunications, telegraph, communications, pipeline, or gas producing company regulated by MPSC, whether private, corporate, or cooperative, except a municipally owned utility.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
Salesforce	A customer relationship management system.
UMERC	Upper Michigan Energy Resources Corporation.
USDA	United States Department of Agriculture.
WEPC	Wisconsin Electric Power Company.
WPSC	Wisconsin Public Service Corporation.



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