

Michigan Gas Customer Choice Program

May 11, 2012

What is Gas Customer Choice

- Gas Customer Choice (GCC) Program allows all customers to purchase their gas supply from an Alternative Gas Supplier (AGS) at a contracted rate
- AGS rates are not regulated by the MPSC
- Utility continues to deliver gas, read meter, perform all billing, respond to all customer calls (leaks, emergencies, payments, disconnects, turn-on, arrearages, ect.)

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Gas Customer Choice History

- GCC program started with pilot programs in April 1998
- Existing program implemented in March 2002
 - All utility programs similar, but not identical
- 2002 PA 634 requires an AGS selling natural gas at unregulated retail rates to obtain a license from the MPSC
 - Licensing procedures/requirements were approved on March 12, 2003 in Case No. U-13694

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Current Gas Choice Statistics

- **24 licensed AGS's with 22 actively serving statewide**
- **Currently, all four major Michigan utilities participate in the gas choice program**
- **As of March 2012 statewide participation was at an all time high with 511,000 customers and 92.252 Bcf of annualized volumes**
- **That represents about 15% customer participation and 16% annualized volumes statewide**
- **AGS Stats by Utility as of March 2012:**
 - Consumers Energy – 255,167 customers representing 50 Bcf.
 - MichCon – 215,500 customers representing 41.2 Bcf.
 - MGU – 27,681 customers representing 0.63 Bcf.
 - SEMCO – 13,388 customers representing 0.42 Bcf.

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Customer Choice Licensing Requirements

- Maintain a Michigan office and provide a toll-free phone number and 24 hour contact for customers
- Provide assurance of financial capability and a \$100,000 letter of credit or bond requirement
- Possess technical competence to engage in energy transactions, managerial competence, maintain records and provide adequate customer service
- Have the necessary documents to conduct business in Michigan, meet all safety requirements and collect & remit all applicable taxes (unless utility is doing so)

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AGS Utility Participation Requirements

- AGS must be licensed by the MPSC
 - Must abide by law, orders, tariffs
 - MPSC Staff oversees compliance, including marketing issues and has authority to suspend or revoke a license for non-compliance.
- Must enter into Authorized Gas Supplier Agreement
 - Must meet specific credit deposit requirements
 - Must deliver specific daily supply quantities determined by utility
 - Failure to deliver flowing supply results in penalties

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Key Operating Provisions

- Suppliers group customers based on rates
 - Pool A: customers enrolled/billed to start in April/May billing cycle
 - Pool B: customers enrolled after start of April/May billing cycle
- Pool B customers subject to a Supplier Equalization Charge (SEC)
 - Designed to keep utilities whole when pool B customers consume more than AGS delivers on a cumulative basis
- Utilities establish daily delivery requirements for each supplier
 - Equal to $1/365^{\text{th}}$ of estimated annual load +/- 10%
 - Calculated separately for each sub pool

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Key Operating Provisions (cont.)

- Buy/Sell structure
 - Utilities purchase gas delivered by AGSs
 - Monthly remittances capped at the lower of the pool rate or 110% of utility's then-effective GCR rate
 - Amounts withheld are trued up in annual reconciliation
- Utilities bill customer, handle collections, and own all receivables
 - Suppliers charged a \$100/month/pool
 - Suppliers charged \$0.30/meter/month for billing

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Key Operating Provisions (cont.)

- AGS have no credit or collection risk
- Annual reconciliation
 - Occurs within 60 days after end of program year (March/April) billing cycle
 - Performed on an aggregate basis (pools reviewed and combined for a net true up amount)
 - Supply delivered versus actual consumption
 - Remittances to suppliers versus actual dollars billed to customers
 - Financial reconciliation; (supplier owes utility, utility owes supplier)
 - Over-delivery of supply, (purchased or returned)

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GCC Compliance/Customer Protections

- Suppliers required to abide by utility tariffs
 - Prohibits suppliers from engaging in practices that are fraudulent, deceptive, or misleading
- October 13, 2009 in Case No. U-15929, new customer protections were adopted for GCC
 - MPSC is responsible for monitoring compliance and in resolving customer/supplier disputes
 - Requires specific language in all contracts
 - Expanded protections to small commercial who use 500 Mcf or less per year. Previously, only small commercial customer using up to 200 Mcf were covered by protections.

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GCC Compliance/Customer Protections (cont.)

- Cancellation at anytime, without delay, by written or verbal communication
- Sets caps on early termination fees for residential and small commercial (500 Mcf or less) customers
 - \$50 for residential with contract of one year or less; \$100 for contracts greater than one year
 - \$150 for small commercial with contracts of one year or less; \$250 for contracts greater than one year
- Contracts may continue after initial term on a month-to-month basis cancelable at anytime without penalty
- Confirmation letter sent to customer within 7 days of signing contract
- Only account holder or legally authorized person may enter into contract

Questions? Thank You.

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