

# License Renewal Standards and Process in Michigan

**Energy Regulatory Partnership Program**

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# Outline of the Presentation

- Electric restructuring legislation and MPSC Orders
- Customer choice programs – electric and natural gas
- Issues to consider before switching to a AGS
- Recap of the presentation
- Citations
- Questions

# Electric Restructuring Legislation

Michigan Electric Restructuring Legislation is known as the Customer Choice and Electricity Reliability Act or Customer Choice

- Signed by Governor John Engler on June 5, 2000
- Customer Choice provides customers the opportunity to buy power from a supplier of their choice
- Established an alternative electric supplier (AES) licensing procedure
- Commercial and Industrial rates would be “unbundled” to remove alleged subsidies to residential customers

# Prior MPSC Orders on Electric Implementing and Restructuring

- August 1992: U-10143 Application Association of Business Advocating Tariff Equity (ABATE) asks for experimental program
- June 1997: U-11091 Commission Order establishes Retail Open Access (ROA) program
- October 1997: U-11129 Commission Order first competitive supplier approved
- October 1997: U-11451 Commission Order sets rates for ROA
- March 1999: U-11290 Commission Order approved utility implementation plans
- August 1999: U-11290 Commission Order voluntary implementation

# Customer Choice Programs: Licensing Requirements

- Alternative Electric Suppliers (AES)
  - Public Act 141 of 2000 requires AES to obtain a license from the MPSC
  - Requirements for licensing (set in Commission Order of U-11915):
- Alternative Gas Suppliers (AGS)
  - Public Act 634 of 2002 requires an AGS to obtain a license from the MPSC
  - Requirements for licensing (set in Commission Order of U-13694):

# Customer Choice Programs: Licensing Requirements (2)

- Maintain an office within the state & provide a 24 hour toll-free phone number for customers
- Maintain a \$100,000 letter of credit or bond
- Possess technical competence to engage in energy transactions
- Meet safety requirements for electric operations
- Ensure adequate service to Michigan customers
- Maintain records as Commission considers necessary
- Collect & remit all applicable taxes
- Comply with all other lawful obligations

# Customer Choice Programs: Tariff Rules

- AES
  - Retail open access tariff - Consumers
  - Retail access service rider - Detroit Edison
- AGS
  - Commission Order U-12550

# Customer Choice Programs: Tariff Rules Highlights

- Return to company full service for commercial and industrial customers
  - Two year minimum commitment
  - 60 day written notice required to return to utility full service
  - Customer has to provide written notice by December 1, of intent to take full utility service during the following summer (June 1<sup>st</sup> to September 30<sup>th</sup>)
- If a customer decides to leave an utility for a customer choice program, with written notice:
  - Option 1: completed a 12 month commitment
  - Option 2: a short term service and pay market power pricing (MPP) until leaving for AES



# Customer Choice Programs: Tariff Rules Highlights (2)

- If a customer decides to leave an utility for an customer choice program, without written notice:
  - The customer pays the greater of the tariff rate or MPP plus 10% for any power taken from the utility
- How returning to utility full service for residential customers differs from commercial and industrial customers
  - Do not have a 2 year ROA Commitment
  - Not required to give the December 1<sup>st</sup> notice
  - The customer may return to utility full service from ROA on their next billing month
- April 16, 2009, the Commission initiated a contested case proceeding for U-15929

# Customer Choice Programs: Mechanisms to Ensure Compliance of the License

- Commission's Service Quality Section
- The Commission could initiate a contested case proceeding
  - Mechanism in the law which would allow the Commission to fine the Alternative Energy Supplier
- If the same violations continues, the Commission can revoke the license of the energy supplier

# Customer Choice Programs: Status of Major AES Programs

Licensed AESs: 26

- Consumers Energy Company
  - Peak in mid-2005:
    - 926 MW
    - # of customers: 1,503
  - As of June 2009:
    - 443 MW
    - # of customers: 768
  - Current active suppliers: 8
- Detroit Edison Company
  - Peak in late 2004:
    - 2,424 MW
    - # of customers: 17,241
  - As of June 2009:
    - 493 MW
    - # of customers: 2,768
  - Current active suppliers: 11

# Customer Choice Programs: Status of Major AGS Programs

Peak statewide participation: September 2002 with 374,095 customers

- Consumers Energy Company
  - As of May 2009:
    - # of customers: 152,375
  - Current active suppliers: 14
- SEMCO Energy Gas Company
  - As of May 2009:
    - # of customers: 6,126
  - Current active suppliers: 3
- Michigan Consolidated Gas Company
  - As of May 2009:
    - # of customers: 184,200
  - Current active suppliers: 13
- Michigan Gas Utility Corporation
  - As of May 2009:
    - # of customers: 6,533
  - Current active suppliers: 1

# Issues to Consider Before Switching to an AGS

- You do not have to switch to an AGS
- If you choose to switch, the current natural gas utility will continue to serve you
- Questions to think about:
  - What is the rate charged?
  - Is there a cancellation penalty after the 30-day cancellation period?
  - What happens at the end of your contract?
  - What is the process for handling a billing dispute?

# Recap of the Presentation

- Electric restructuring legislation and MPSC Orders
- Customer choice programs: electric and natural gas
- Issues to consider before switching to an AGS

# Citations

Consumers Energy Company's retail open access service standards

<http://www.dleg.state.mi.us/mpsc/electric/ratebooks/consumers/consumers13cur.pdf>

Detroit Edison Company's retail access service rider

<http://www.dleg.state.mi.us/mpsc/electric/ratebooks/dte/dte10cur.pdf>

Gas Customer Choice Tariff

<http://www.dleg.state.mi.us/mpsc/gas/ratebooks/ce/consumers2curc29throughend.pdf>

MPSC Case Number U-11290

<http://efile.mpsc.state.mi.us/efile/viewcase.php?casenum=11290>

MPSC Case Number U-15800

<http://efile.mpsc.state.mi.us/efile/viewcase.php?casenum=15800>

MPSC Consumer Alert: Natural Gas Choice is Here

[http://www.michigan.gov/documents/naturalgaschoice\\_76037\\_7\\_94379\\_7.pdf](http://www.michigan.gov/documents/naturalgaschoice_76037_7_94379_7.pdf)

## Citations (2)

Public Act 141 of 2000

[http://www.legislature.mi.gov/\(S\(hsludwy0zyd2vwzs3qzrf5fz\)\)/mileg.aspx?page=getObject&objectName=2000-SB-0937](http://www.legislature.mi.gov/(S(hsludwy0zyd2vwzs3qzrf5fz))/mileg.aspx?page=getObject&objectName=2000-SB-0937)

Public Act 142 of 2000

[http://www.legislature.mi.gov/\(S\(hsludwy0zyd2vwzs3qzrf5fz\)\)/mileg.aspx?page=getObject&objectName=2000-SB-1253](http://www.legislature.mi.gov/(S(hsludwy0zyd2vwzs3qzrf5fz))/mileg.aspx?page=getObject&objectName=2000-SB-1253)

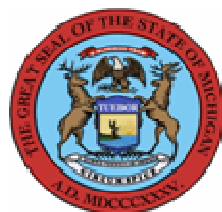
Public Act 634 of 2002

[http://www.legislature.mi.gov/\(S\(hsludwy0zyd2vwzs3qzrf5fz\)\)/mileg.aspx?page=getobject&objectname=mcl-460-9b&query=on](http://www.legislature.mi.gov/(S(hsludwy0zyd2vwzs3qzrf5fz))/mileg.aspx?page=getobject&objectname=mcl-460-9b&query=on)

Public Act 295 of 2008

[http://www.legislature.mi.gov/\(S\(hsludwy0zyd2vwzs3qzrf5fz\)\)/mileg.aspx?page=MclPAsearch](http://www.legislature.mi.gov/(S(hsludwy0zyd2vwzs3qzrf5fz))/mileg.aspx?page=MclPAsearch)





Questions?