



Energy Markets & Competition in Michigan

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Restructuring History

Michigan Electric Restructuring Legislation consisted of two laws: PA 141 & 142 of 2000 and is known as Customer Choice & Electricity Reliability Act

- Signed by Governor on June 5, 2000. PA 141 ensured all retail customers had a choice of electric suppliers, PA 142 allowed utilities to securitize or refinance high cost utility plants.
- “Customer Choice” for almost all Michigan electric customers, to buy power from anyone they wanted.
- Established an Alternative Electric Supplier (AES) licensing procedure: MPSC regulates non-utilities (but not their price/rate for competitive service).
- Commercial & Industrial rates will be “unbundled” to remove alleged subsidies to residential customers.

Prior MPSC Orders on Implementing Restructuring

- Aug '92 in U-10143 Application Association of Business Advocating Tariff Equity ABATE asks for experimental program.
- Apr '94 U-10143 Order approves experimental program.
- Jun '95 U-10143 Order sets experimental program rates.
- Jul/Aug '96 public hearings held on restructuring.
- Nov '96 U-10685 Order approves Consumers experimental retail wheeling program.
- Dec '96 U-11290 Order after MPSC Staff Report on Restructuring.
- Oct '97 U-11129 Order first competitive supplier approved.
- Nov '97 first competitive power flows.
- Mar '99 U-11290 Order triggers Detroit Edison experiment.
- Jun '97 U-11091 Order establishes Retail Open Access (ROA) program.

Implementing Restructuring (2)

- Oct '97 U-11451 Order sets rates for ROA.
- Jan '98 U-11290 Order on rehearing, Feb '98 clarification.
- Mar '99 U-11290 Order approved utility implementation plans.
- Jun '99 Michigan Supreme Court Ruled on MPSC authority vacating Commission orders approving ROA.
- Aug '99 U-11290 Order voluntary implementation.
- Jun '00 PA 141 & 142 Electric Restructuring Law.
- Many Commission orders since implementation.
- Oct '08 PA 286 amends PA 141& limits the amount of electricity that could be obtained from an AES to 10% of utility's weather-adjusted retail sales for prior year.

Alternative Electric Supplier (AES) Licensing Requirements

- Michigan Law, PA 141 of 2000, MCL 460.10 *et seq.*, requires prior to selling generation service to retail customers an AES must obtain a license from the MPSC.
- The law and Commission order in case U-11915, set the requirements for licensing:
 - Maintain an office within the State.
 - Financial capability and a requirement of a \$100,000 Letter of credit or bond.
 - Possess technical competence to engage in energy transactions.

AES Licensing Requirements

- Capable of meeting safety requirements for electric operations.
- Possess managerial competence to ensure adequate service to Michigan customers.
- Maintain records as Commission considers necessary.
- AES shall collect & remit all applicable taxes.
- Comply with all other lawful obligations.

Customer Choice began 1/1/2002

- Licensed AESs as of today: 26
- Consumers Energy
 - Peak in mid-2005 of 926MW, # of Customers 1,503.
 - As of Oct. 2008-338MW, # of Customers 659.
 - Current Active Suppliers-six.
- Detroit Edison
 - Peak in late 2004 of 2,424MW, # of Customers 17,241.
 - As of Oct. 2008-460MW, # of Customers 3,356.
 - Current Active Suppliers-nine.

Tariff Rules

- Retail Open Access Tariff-Consumers
- Retail Access Service Rider-Detroit Edison
- Return to Company Full Service (C&I)
 - ROA two year minimum commitment.
 - 60 day written notice required to return to Utility Full Service.
 - ROA customer shall provide a written notice by December 1, if the customer will be taking full utility service during the following summer (June 1-Sept. 30) customer obligated to take full service for 12 months.
 - Subject to notice and minimum term, ROA customer may return to utility under option 1, which requires a 12 month commitment to stay with the utility or option 2-short term service and pay market power pricing (MPP) until leaving for AES.
 - If no notice is given and returned to the utility between June 1-Sept. 30, customer will pay greater of Tariff rate or Market Price Power (MPP) plus 10% for any power taken from the utility from June 1 – Sept. 30.

Alternative Gas Supplier (AGS) Licensing

- Licensing pursuant to 2002 PA 634, MCL 460.9 *et seq.*, requires an AGS selling natural gas at unregulated retail rates to obtain a license from the MPSC.
- The law and Commission order in case U-13694, set the requirements for licensing:
 - Maintain an office within the state & provide a toll-free phone number for customers.
 - Financial capability and a requirement of \$100,000 Letter of credit or bond.
 - Possess technical competence to engage in energy transactions.

AGS Licensing

- Experience and expertise to manage risk and reliably supply natural gas to customers.
- Possess managerial competence to ensure adequate service to Michigan customers.
- Maintain records as Commission considers necessary.
- AGS shall collect & remit applicable taxes unless the utility is doing so on behalf of the AGS.
- Comply with all other lawful obligations.

Tariff Rules

- Gas Customer Choice (GCC) Program established uniform terms & conditions in Commission order U-12550.
- Company GCC tariffs, Section F:
 - Consumers Energy
 - Michigan Consolidated Gas (MichCon)
 - SEMCO Energy
 - Michigan Gas Utility (MGU)

Customer Choice began in 12/1/98

- The Gas Customer Choice (GCC) Program started as a voluntary pilot program in Dec. '98 for Consumers & SEMCO customers and in June '99 for MichCon customers.
- Peak statewide participation was in Sept. '02, with 374,095 gas choice customers.
- As of June '08, statewide participation is 334,644 gas choice customers.
- Currently, 19 licensed AGSs.
 - 15 are active in both Consumers & MichCon territories.
 - 3 are active in SEMCO territory.
 - 1 active in MGU territory (less than 100 customers).

Thank you.

Questions?