

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
PRESQUE ISLE ELECTRIC & GAS CO-OP)	Case No. U-14434
for a license as an alternative gas supplier.)	
_____)	

At the March 29, 2005 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

OPINION AND ORDER

On May 1, 2003, Presque Isle Electric & Gas Co-op (Presque Isle) submitted a request, pursuant to 2002 PA 634 (Act 634), MCL 460.9 *et seq.*, for a license to operate as an alternative gas supplier (AGS) within Michigan. Presque Isle is an electric and natural gas cooperative utility regulated by this Commission; it serves customers within Michigan’s northern lower peninsula. As part of its submission, Presque Isle provided information to demonstrate compliance with the AGS license requirements under Act 634 and under the Commission’s March 12, 2003 order in Case No. U-13694 (March 12 order), which established the AGS licensing procedure.

Under the March 12 order, the Commission Staff (Staff) must review the application of an AGS for conformance with the act and with the Commission’s orders. The Staff then must recommend appropriate action regarding that application to the Commission. The Staff reviewed the license application and the information submitted by Presque Isle. The Staff recommends that

the Commission accept the stipulation provided by Presque Isle and that Presque Isle be granted a license to operate as an AGS.

With respect to Presque Isle's financial capability, the Staff notes that Presque Isle is a utility cooperative regulated by the Commission; as such, the cooperative submits financial reports to the Commission as necessary under the Commission's regulations. Thus, the Staff states, Presque Isle has demonstrated its financial capability to operate as an AGS. Moreover, the Staff notes, Presque Isle provided a letter of credit in the amount of \$100,000. Based upon this recommendation, the Commission finds that Presque Isle's financial capability meets the Act 634 requirements.

With respect to Presque Isle's managerial and technical capabilities to serve customers within Michigan as an AGS, the Staff again notes that Presque Isle is a regulated utility cooperative serving natural gas customers within its service territories. Thus, the Staff states, the cooperative has the requisite experience to serve as an AGS within Michigan. Act 634 requires a Michigan office location; in the Staff's view, Presque Isle's existing Michigan office meets that requirement. Based upon the Staff's recommendation, the Commission finds that Presque Isle has the necessary managerial and technical capabilities to operate as an AGS, and that the cooperative has met the Michigan-office requirement. However, the Commission finds that Presque Isle's AGS operations must be separated from its operations as a regulated cooperative utility within this state.

The Staff notes in its recommendation certain risks and obligations that Presque Isle (or any other Commission-regulated electric or natural gas cooperative) has with respect to offering unregulated goods or services, and especially the provision of a natural gas service under customer choice programs. In response to the Staff's concern, Presque Isle submitted a stipulation that the cooperative would not market to, or enter into agreements with, any account or customer within its own natural gas service territory. This reduces conflict-of-interest concerns when providing AGS

service within the cooperative's own gas service territory. The Commission notes that a gas customer choice program has not yet been authorized for Presque Isle. Presque Isle's continued failure to seek such authority will be considered in future reviews of its AGS license.

The Commission shares the Staff's concerns regarding the need to separate the jurisdictional and non-jurisdictional business records of Presque Isle. Accordingly, the Commission directs that Presque Isle's accounting for expenses and revenues related in any manner to its operations under the AGS license must be separate from its expenses and revenues related to its Commission-jurisdictional utility operations. Presque Isle's books and records must clearly and specifically separate utility and non-utility expenses and revenues to allow for proper ratemaking.

The Commission accepts the stipulation proffered by Presque Isle. Based upon the application, the information provided, the Staff's recommendation, and the stipulation proffered by Presque Isle, the Commission finds that Presque Isle's request to be licensed as an AGS is in the public interest, and that it should be approved.

The Commission FINDS that:

- a. Jurisdiction is pursuant to 2002 PA 634, MCL 460.9 *et seq.*, 1909 PA 300, as amended, MCL 462.2 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1969 PA 306, as amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*
- b. Presque Isle has satisfied the statutory requirements to obtain a license as an AGS.
- c. Presque Isle's accounting for expenses and revenues related in any manner to its operations under the AGS license should be separate from its expenses and revenues related to its Commission-jurisdictional utility operations.

d. The stipulation proffered by Presque Isle is reasonable, in the public interest, and should be accepted.

THEREFORE, IT IS ORDERED that:

A. Presque Isle Electric & Gas Co-op is granted a license as an alternative gas supplier.

B. Presque Isle Electric & Gas Co-op's accounting for expenses and revenues related in any manner to its operations under the alternative gas supplier license shall be separate from its expenses and revenues related to its Commission-jurisdictional utility operations.

C. The stipulation proffered by Presque Isle Electric & Gas Co-op is accepted.

D. Presque Isle Electric & Gas Co-op shall comply with the regulatory requirements specified in 2002 PA 634, MCL 460.9 *et seq.*; the Commission's orders and administrative rules for gas customer-choice programs approved by the Commission; and each of the delivering natural-gas utilities' tariffs.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark
Chairman

(S E A L)

/s/ Robert B. Nelson
Commissioner

/s/ Laura Chappelle
Commissioner

By its action of March 29, 2005.

/s/ Mary Jo Kunkle
Its Executive Secretary

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Suggested Minute:

“Adopt and issue order dated March 29, 2005 accepting the stipulation filed by Presque Isle Electric & Gas Co-op and granting the cooperative a license as an alternative gas supplier, as set forth in the order.”