

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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| In the matter of the application of |) | |
| UNIVERSAL GAS & ELECTRIC CORPORATION |) | Case No. U-14732 |
| for a license as an alternative gas supplier. |) | |
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At the December 20, 2005 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. J. Peter Lark, Chairman
Hon. Laura Chappelle, Commissioner
Hon. Monica Martinez, Commissioner

ORDER GRANTING LICENSE

On July 11, 2005, Universal Gas & Electric Corporation (Universal) applied for a license to operate as an alternative gas supplier (AGS) within Michigan pursuant to 2002 PA 634 (Act 634), MCL 460.9 *et seq.* As part of its submission, Universal 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). That order established the AGS licensing procedure.

Act 634 requires an AGS to have the necessary financial, managerial, and technical capabilities to serve customers within the state of Michigan. The act also requires an AGS to maintain an office within the state. Under the March 12 order, the Commission Staff (Staff) must review the application of the 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 Universal. The Staff recommends that Universal be granted a license to operate as an AGS.

The application shows that Universal is a Delaware corporation, and that Universal has not operated as a supplier in either the Michigan electric-choice or gas-choice markets. The Staff reviewed Universal's personnel descriptions and histories. Based upon that review, the Staff determined that Universal has sufficient experience and expertise to manage risk and to reliably supply natural gas in Michigan's gas customer choice market. The Staff's determination was influenced by the expertise and resources of Universal's minority shareholder and exclusive commodity supplier, Sempra Commodity, formerly Sempra Energy Trading Corp., which is a wholly owned subsidiary of Sempra Energy, a Fortune 500 energy services holding company based in San Diego, California. Sempra Energy serves 29 million energy customers worldwide. Based upon the information provided and the recommendation of the Staff, the Commission finds that Universal possesses the appropriate managerial and technical capabilities to serve customers within the state of Michigan.

With respect to its financial capability, Universal is a privately held business that recently began operations in Canada's natural gas and electric retail commercial, industrial, and residential markets. Universal has provided the Staff with a letter of credit in the amount of \$100,000. Based upon its review of the financial statements of the minority shareholder, Sempra Commodity, and the letter of credit, the Staff determined that Universal's financial capabilities meet Act 634 requirements. The Commission agrees.

Act 634 requires Universal to maintain an office within the state of Michigan. Universal has outlined a proposed Michigan office but such plans are incomplete. The Staff has reviewed Universal's application and recommends that it be granted a license to operate as an AGS on the condition that Universal cannot initiate marketing activities in Michigan until the office and activation of a toll-free telephone number are established and the Staff has been officially notified in writing. After verification, the Staff will post notice of the establishment of the Michigan office and toll-free telephone number to this docket, at which point Universal may commence its intra-state marketing activities. The Commission finds that this is a reasonable condition, because many corporations choose to locate their main headquarters outside the boundaries of Michigan, and it would be unreasonable to require that the expense of an office be incurred with the potential risk that a license might not be granted.

Based upon the submissions and all of the information provided, the Commission finds that Universal's request to be licensed as an AGS is reasonable and in the public interest, and that it should be approved. However, the grant of the license is conditioned upon compliance with all of the applicable provisions of Act 634, the Commission's orders and administrative rules, and each of the delivering natural gas utilities' tariffs. Failure to comply with any of these provisions may result in revocation of the license or other penalties.

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. Universal has satisfied the statutory requirements to obtain a license as an AGS.

THEREFORE, IT IS ORDERED that:

A. Universal Gas & Electric Corporation is granted a license as an alternative gas supplier subject to the conditions established in this order, including establishing a Michigan office before commencing operations.

B. Universal Gas & Electric Corporation 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 E A L)

/s/ J. Peter Lark
Chairman

By its action of December 20, 2005.

/s/ Laura Chappelle
Commissioner

/s/ Mary Jo Kunkle
Its Executive Secretary

/s/ Monica Martinez
Commissioner

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Its Executive Secretary

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