

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
U.S. GAS & ELECTRIC, INC. , for a)	Case No. U-15490
license as an alternative gas supplier.)	
_____)	

At the April 22, 2008 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Orjiakor N. Isiogu, Chairman
Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

ORDER GRANTING LICENSE

On December 18, 2007, U.S. Gas & Electric, Inc. (USG&E) 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, USG&E 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. On January 10, 2008, USG&E supplemented its application.

Act 634 requires an AGS to have the necessary financial, managerial, and technical capabilities to serve customers in 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 for conformance with the act and with the Commission’s orders. The Staff then recommends appropriate action regarding that application to the Commission.

The Staff reviewed the license application and the information submitted by USG&E. The Staff recommends that USG&E be granted a license to operate as an AGS.

The application shows that USG&E was incorporated in the state of Delaware on November 4, 1999. USG&E has exclusively served the gas-choice market in New York, slowly growing its current customer base to over 20,000 small commercial and residential retail customers in nine of the eleven utility service territories in New York. The Staff reviewed USG&E's personnel descriptions and histories and observes that USG&E's principals and key personnel have significant experience in the energy industry and in business management. USG&E also provided a detailed outline of its risk-management strategy and a description of its procedures for handling customer contacts in a timely and efficient manner. Based on its review of this information, the Staff determined that USG&E has sufficient experience and expertise to manage risk and to reliably supply natural gas to Michigan's gas customer choice market. The Commission agrees and finds that USG&E possesses the appropriate managerial and technical capabilities to serve customers within the state of Michigan.

With respect to its financial capability, USG&E is a privately held company that currently serves small commercial and residential customers in New York. USG&E has provided the Staff with a letter of credit in the amount of \$100,000. Based upon its review of the financial statements and the letter of credit, the Staff determined that USG&E's financial capabilities meet Act 634 requirements. The Commission agrees.

Act 634 requires USG&E to maintain an office within the state of Michigan. USG&E has outlined a proposed Michigan office but its plans are incomplete. The Staff has reviewed USG&E's application and recommends that it be granted a license to operate as an AGS on the condition that USG&E cannot initiate marketing activities in Michigan until the office is

established and the Staff has been officially notified in writing. After verification, the Staff will post notice of the establishment of the Michigan office in this docket, at which point USG&E may commence its intrastate marketing activities. The Commission finds that this is a reasonable condition, because many corporations choose to locate their main headquarters outside of Michigan, and it would be unreasonable to require that the expense of a local 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 USG&E'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.

THEREFORE, IT IS ORDERED that:

A. U.S. Gas & Electric, Inc., 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. U.S. Gas & Electric, Inc., shall comply with the regulatory requirements specified in 2002 PA 634, MCL 460.9 *et seq.*; the Commission's orders and administrative rules; 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, under MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of April 22, 2008.

Mary Jo Kunkle, Executive Secretary