

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
SANTANNA NATURAL GAS CORPORATION,)	
d/b/a SANTANNA ENERGY SERVICES for a license)	Case No. U-16015
as a natural gas supplier.)	
_____)	

At the October 29, 2009 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 July 7, 2009, Santanna Natural Gas Corporation, d/b/a Santanna Energy Services (Santanna), 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 application, Santanna 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 Santanna and has recommended this company be granted a license to operate as an AGS.

The application shows that Santanna was incorporated in Texas in 1988 as an independent marketer of natural gas to large commercial, industrial, and residential clients, with corporate offices located in Austin, Texas and a regional office located outside Chicago, Illinois. Santanna currently serves one large transportation customer in Michigan and approximately 55,000 commercial and residential customers in Illinois.

Santanna specializes in the purchasing, transportation, and risk management of gas supplies through Eagle Energy Partners, LLP, a subsidiary of Electricite de France (EDF) a Houston-based company that manages and optimizes supply, transportation, transmission, load, and storage portfolios on behalf of wholesale natural gas and power clients. Santanna also entered into a supply contract with Enterprise Products Partners LP and hedges 100% of all customer contracts.

Santanna has volunteered to provide the following commitments in its application to the Commission for a license to provide natural gas to the residential and business customers in Michigan. For a period of two years from the time that Santanna is granted a license:

- (1) Santanna will not offer any contracts with a term longer than 24 months. The inability to predict the future and the competitive landscape makes it uncomfortable to extend commitments beyond the two year duration. Santanna currently offers 12 month contracts only and most probably will continue with 12-month terms only.
- (2) Santanna will not charge a residential customer or a small commercial customer a cancellation fee for the duration of their contract. This is the policy that Santanna has applied for several years in its Illinois operations.
- (3) Santanna would like to emphasize in its application that Santanna's risk management policy is now and shall remain structured such that "fixed price contracts" can only be sold

by Santanna if routine volume balance monitoring confirms that Santanna owns the gas, either physically or through purchased hedges, before the sale.

The Staff recommends that the Commission adopt and incorporate Santanna's voluntary offerings into the licensing order. The Commission agrees.

Santanna is registered with the Michigan Department of Energy, Labor & Economic Growth to do business in Michigan. The Staff reviewed Santanna's personnel descriptions and histories and observes that Santanna's business affiliates and key personnel have over 70 combined years of experience in the energy industry and in business management. Based upon that review, the Staff determined that Santanna has sufficient experience and expertise to manage risk and to reliably supply natural gas in Michigan's gas customer choice market.

Based upon the information provided and the recommendation of the Staff, the Commission finds that Santanna possesses the appropriate managerial and technical capabilities to serve customers within the state of Michigan.

In the Staff's review of Santanna's financial statements for the two most recently audited years, Staff found that the company's balance sheet and income statement were satisfactory. The Staff observed that Santanna had serious financial difficulties in 2005-2007, including a default on a number of contracts in Illinois and company bankruptcy. The Staff indicates that the company has made significant changes to its operating methods since that time that satisfy the Staff's concerns. The Staff adds that it has spoken with the office of the Attorney General of Illinois, which indicated that Santanna has fully complied with the terms of a consent decree entered into in 2006.

Santanna has provided the Staff with a Letter of Credit of \$100,000. Based upon its review of the financial statements, the satisfied bond requirement, and the additional information from

independent sources, the Staff determined that Santanna's financial capabilities meet Act 634 requirements. The Commission agrees.

Act 634 requires Santanna to maintain an office within the state of Michigan. Santanna has an established office in Southfield, Michigan. The Staff determined that Santanna has complied with the Michigan-office requirements. The Commission agrees.

Based upon the submissions and all of the information provided, the Commission finds that Santanna'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. Santanna Natural Gas Corporation, d/b/a Santanna Energy Services is granted a license as an alternative gas supplier.

B. For a period of two years from the date of this order, Santanna Natural Gas Corporation, d/b/a Santanna Energy Services will not offer any contracts with a term longer than 24 months; Santanna Natural Gas Corporation, d/b/a Santanna Energy Services will not charge a residential customer or a small commercial customer a cancellation fee for the duration of their contract; and fixed price contracts can only be sold if Santanna Natural Gas Corporation, d/b/a Santanna Energy Services owns the gas, either physically or through purchased hedges, before the sale.

C. Santanna Natural Gas Corporation, d/b/a Santanna Energy Services shall comply with the regulatory requirements specified in 2002 PA 634, MCL 460.9 *et seq.*; the Commission's orders

and administrative rules 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

Orjiakor N. Isiogu, Chairman

Monica Martinez, Commissioner

Steven A. Transeth, Commissioner

By its action of October 29, 2009.

Mary Jo Kunkle, Executive Secretary