

Utility Provider Contracts: What Business Owners Need to Know



spotlight

Competitive Choice

Many utility services in Michigan are now open to competition. This enables Michigan businesses to choose from a number of competing electric, natural gas, and communication suppliers. Shopping for utility services is a new experience for most businesses, providing opportunities as well as challenges.

Alternative Supplier Contracts are Unregulated

Natural Gas and Electricity

For those customers choosing “alternative” suppliers (non-utility providers), pricing and other terms governing the relationship between the customer and provider are contained in the contract. Most provisions in these contractual agreements are not regulated and can vary widely among providers. Contract terms should be presented in writing and then carefully reviewed prior to entering into an agreement.

Energy service contracts through alternative natural gas and electric service providers mean that you will be purchasing natural gas and electricity from the provider at *prices that are unregulated* by the Michigan Public Service Commission (MPSC). Other terms, such as length of agreement or penalties for early cancellation, may also be unregulated. The delivery, metering, and billing of your gas service will still be provided by your current regulated gas utility. Additional MPSC Consumer Tips on natural gas choice describe these contracts for residential and business customers. Check them out on the MPSC’s website for more information and to see what your natural gas choice bill would look like compared to your regulated provider bill.

The delivery of your electric service will be billed by your current regulated utility; however, the power supply cost of your electric service is usually billed by the alternative electricity supplier.

Telecommunications

Telecommunications contracts may include basic land line service, long distance service, T-1, DSL, ISDN, voicemail and any number of other new technologies. The rates and services within these contracts are not regulated by the MPSC.

Who Signed Your Contract?

Be sure that your employees understand who is legally authorized to sign contracts for your business. Signing contracts or applications for service may obligate your business for thousands of dollars and years of service. Alert your employees, especially those who answer telephone calls or greet visitors, to contact you or your legally authorized agent if there are any questions about energy or telecommunications services. Be aware that a verbal agreement to switch service during a third-party voice verification call will be considered a binding contract.

Door to door marketers may contact you at your busiest time of the day. If you are too busy to do a thorough review of the information they have available, ask them to provide the information for your review at a time convenient for you. *Don’t sign an application for service without understanding that it may take immediate effect if your credit history shows you are approved.*

Read the Fine Print!

Always request and keep copies of all utility service contracts. These should be read *very carefully* by business owners to prevent misunderstanding and financial loss. Read it for information regarding the terms of service and cancellation fees. If there are any questions or doubts— about the rates, services provided, duration of the contract, or early termination charges should service be cancelled— contact the company within the specified period allowed for interpretation or to cancel the contract. *Early termination charges can be substantial* and would be paid for unused service! Business owners should also be aware that some utility contracts *may be automatically renewed* at the end of the contract period, if specific measures are not taken to cancel the contract. *Cancellation must be made using the prescribed method given in the contract* and within a certain timeframe prior to the contract's ending date.

What Happens if I Want to Cancel?

Contact the utility provider by phone or in writing as specified in the contract. If you have difficulty reaching the company by telephone, cancel in writing and keep a copy of your communication to the company. Continue to review your utility bills to be sure the cancellation has occurred.

If contacting the company is unsuccessful, you may call the MPSC's toll-free number, 800-292-9555, or e-mail your inquiry through the MPSC's web site at michigan.gov/mpsc.