

RESIDENTIAL ENERGY BILL CHARGES



The following charges may appear on your Natural Gas bill:

Customer Charge (Member Charge, Fixed Charge)

A fixed monthly charge to recover the costs of metering, meter reading, billings and other customer-related operating costs, exclusive of demand and energy consumption.

Distribution Charge

This charge collects costs not recovered through the fixed customer charge or the Gas Cost Recovery charge and those costs related to delivering gas from the transmission system or storage fields to the customers premises, including operating and maintenance expenses, and is based upon the quantity of gas in hundreds of cubic feet (Ccf) used by a customer.

Energy Optimization Surcharge (Energy Optimization Program Surcharge, EO Surcharge)

Pursuant to Section 89 of 2008 PA 295, the rates for distribution services are adjusted to allow for recovery of the cost of energy optimization plan approved by the MPSC. The overall goal of an energy optimization plan is to save energy.

Excess Peak Demand Charge

This charge is applicable to Rate A-1 Multifamily Dwelling Service customers, and is measured in thousands of cubic feet of gas (Mcf) used by a customer. The Mcf used for billing equals all Mcf in excess of 45 Mcf in the peak month. The peak month is the month within the last 12 months where the greatest consumption occurred. This charge essentially raises the "fixed cost" in proportion to the increased consumption that occurs in a centrally metered residential unit that is not recognized through the customer charge.

Gas Cost Recovery (GCR) Charge

There is no mark-up or profit for gas purchased by a utility for customers. The line item on the bill for natural gas purchases is the "Cost of Gas," "Gas Cost Recovery," or GCR, depending on how your utility labels it, and it is a charge based on the volume of gas you use.

Every year, utilities file a GCR plan with the Commission explaining how it intends to meet its customers' supply needs for the next year, and what it will need to charge to do so. The plan is reviewed, and evidence is presented at a hearing to support or refute the utility's plan. At the end of the hearing process, the Commission issues an order establishing a "cap" or limit on what the utility can charge customers for the coming year. The utility may charge the amount of the "cap", or less, if costs or customer use is lower than expected. At the end of the year, a reconciliation case is filed with the Commission to reconcile the actual cost of the natural gas with what was charged, and customers either receive a refund if the utility over-collected, or are charged more if the utility under collected.

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Interim Rate Increase (Self Implementation Rate Increase Surcharge) – subject to refund

A self-implemented rate increase effective on an interim basis for service rendered on or after November 19, 2009. Upon issuance of a final order in a general rate case, the Company will reconcile the amount collected during the interim period with the amount authorized by the MPSC in the final order. If the amount collected exceeds the amount authorized, a refund with interest will be issued to applicable customers.

Pension Equalization Mechanism (PEM) and Other Post Employment Benefit (OPEB) Surcharge

The PEM and OPEB Surcharge reconcile a utility's actual pension and other post employment benefits expenses with the amount authorized by the MPSC.

Sales Tax

The Michigan Department of Treasury requires the utility company to collect 4% sales tax from residential customers and 6% from business customers.

Uncollectible Expense True-up Mechanism (UETM) Surcharge

This surcharge was implemented to stabilize a company's losses from bad debt. A number of factors are responsible for current increased bad debt levels, including unemployment rates, the level of low-income funding, and general economic conditions. Each year, energy companies file an application with the MPSC comparing their actual uncollectible expense for the previous calendar year with their base level of uncollectible expense contained within the company's rates. With Commission approval, the company then collects from, or refunds to, customers a percent of the difference between those amounts. This is reviewed annually by the Commission to confirm the company is making adequate efforts to implement plans to reduce the amount of uncollectable expenses.