



SEMCOENERGY

G A S C O M P A N Y

**Working Together In Planning
Michigan's Energy Future**

April 12, 2013



Focus on the Customer

- Natural Gas Energy Optimization
- Gas Customer Choice
- Benefits of Natural Gas

Energy Optimization

- SEMCO uses the State-Selected Energy Optimization (EO) Administrator.
- SEMCO Responsibilities:
 - Collect EO charges from customers.
 - Send all EO charges collected to EO Administrator.
- EO Administrator Responsibilities:
 - Administer Program consistent with State contract which specifies efficiency goals, program design, funding details and accountability.

Residential Gas Consumption Trend

- Average use has been steadily declining for over 15 years.

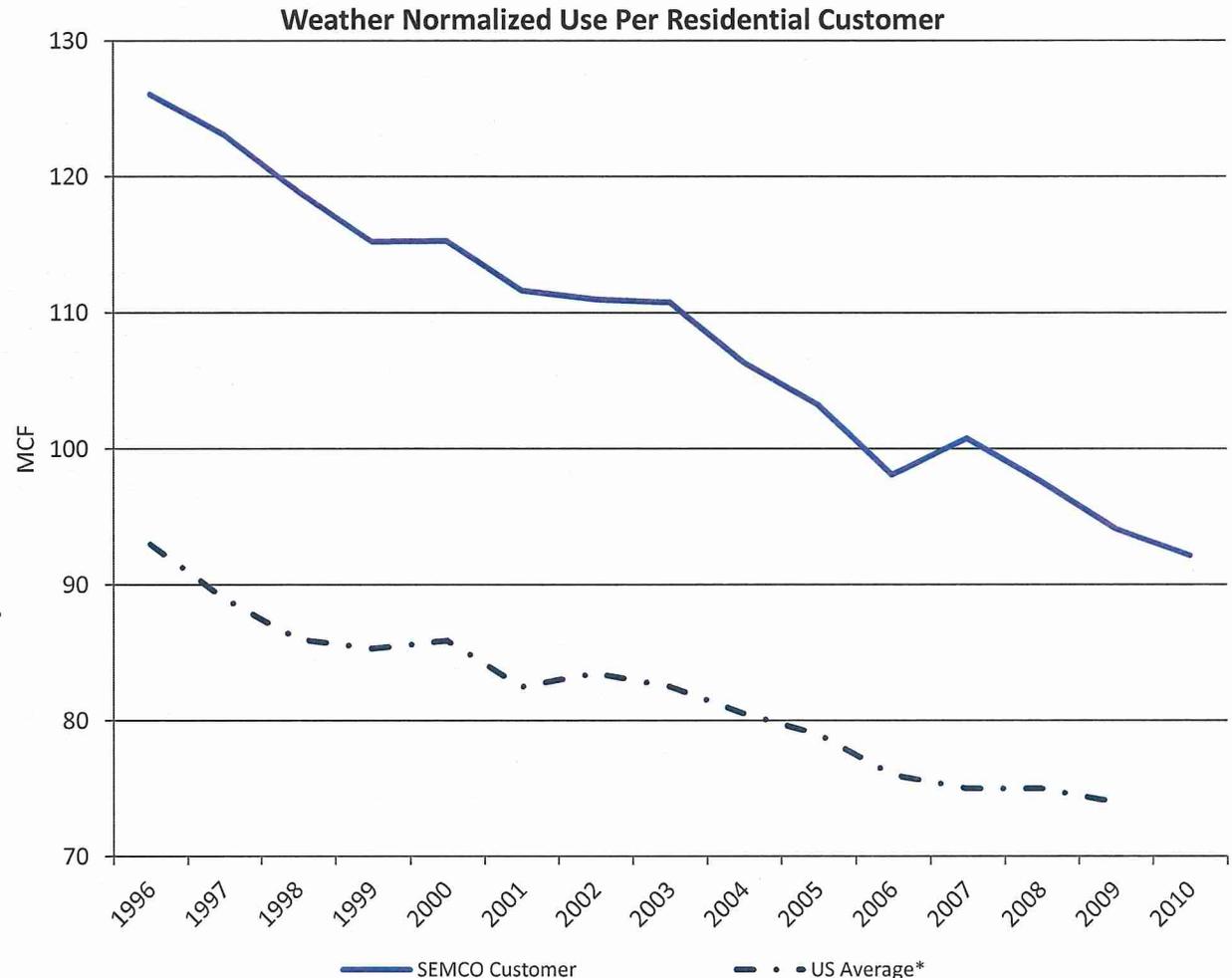
- 1.4% per year U.S.

- 2.2% per year SEMCO

- Reasons include:

- Better building standards and materials.

- Higher appliance efficiency standards.



• Weather normalized on a national basis.

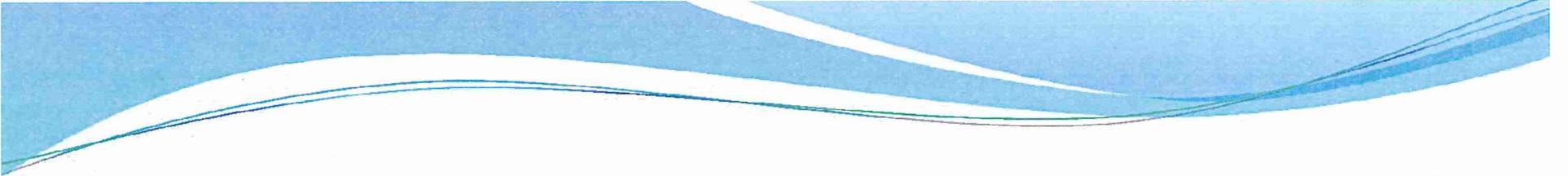
Source: Energy Information Administration.

** Source: U.S. Census Bureau.



EO Impact on SEMCO Customers

- The program currently costs SEMCO customers approximately \$6.3 million per year.
- By using the State-Selected EO Administrator, the maximum level of 2% of revenue is statutorily required to be collected from customers.
- Each year the EO Administrator has been unable to spend all funds collected from customers. For example, in 2012 nearly \$3 million was not spent and carried into 2013.



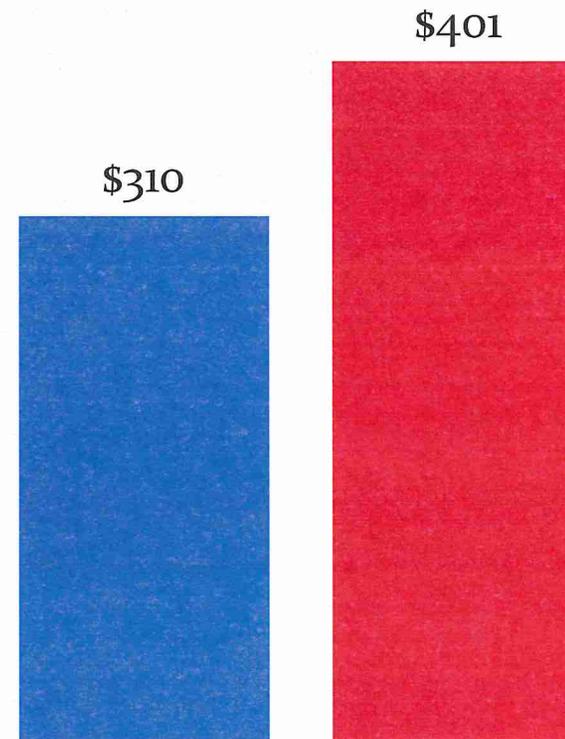
Focus on the Customer

- Natural Gas Energy Optimization
- Gas Customer Choice
- Benefits of Natural Gas

Gas Customer Choice (GCC)

- Of SEMCO's 290,000 customers, 17,000 purchase natural gas from a GCC Supplier
- Customer complaints include:
 - Aggressive sales tactics, including door to door campaigns
 - Misleading information
 - Inability to leave program
 - Misrepresentations from choice marketers

2012-2013 Average Annual Residential Gas Costs



■ SEMCO ■ GCC

*Ave. residential consumption 89 Dth per year



SEMCOENERGY
GAS COMPANY 8

Gas Customer Choice

• Since 2006, SEMCO GCC customers (in aggregate) have paid over **\$14.4 million** more, than if they had purchased natural gas from SEMCO.

Period	Choice Supply costs above SEMCO
2006-2007	\$ 249,207
2007-2008	\$ 1,051,887
2008-2009	\$ 898,039
2009-2010	\$ 4,243,443
2010-2011	\$ 2,430,586
2011-2012	\$ 1,982,327
2012-2013	\$3,560,346





Gas Customer Choice Concerns

- On average GCC customers have paid more for natural gas compared to SEMCO's rate.
- SEMCO's gas purchases are subject to extensive regulatory review:
 - A Plan Case and a Reconciliation Case every year
 - Extensive oversight by multiple State agencies
- Customer Choice Gas Suppliers have little regulatory oversight and include a profit on their gas.



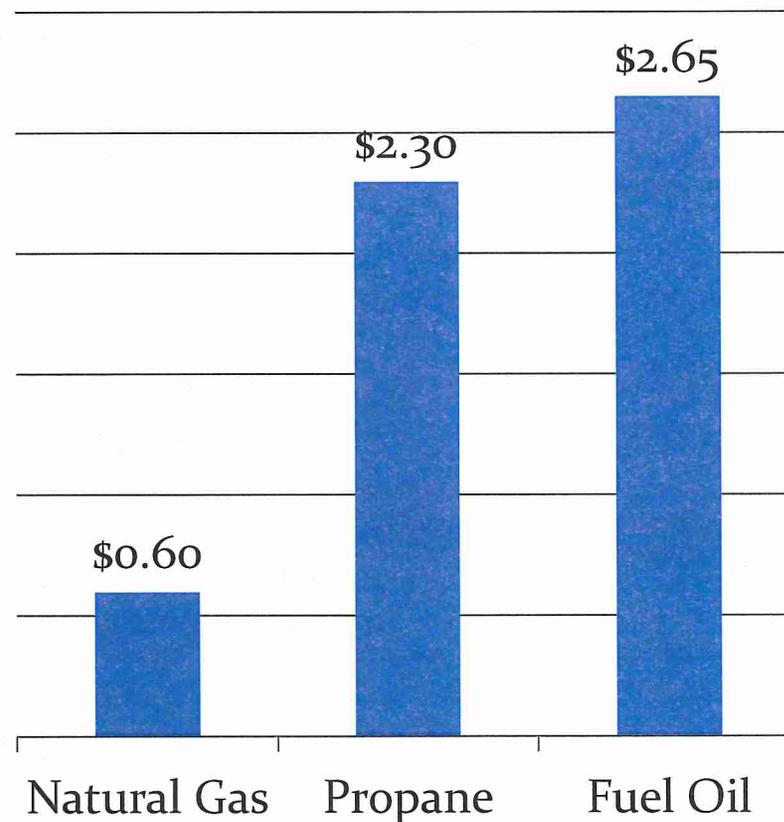
Focus on the Customer

- Natural Gas Energy Optimization
- Gas Customer Choice
- Benefits of Natural Gas

Benefits of Natural Gas

- Natural gas is:
 - Clean
 - Plentiful
 - Domestically produced
- Should we focus on expanding natural gas availability?

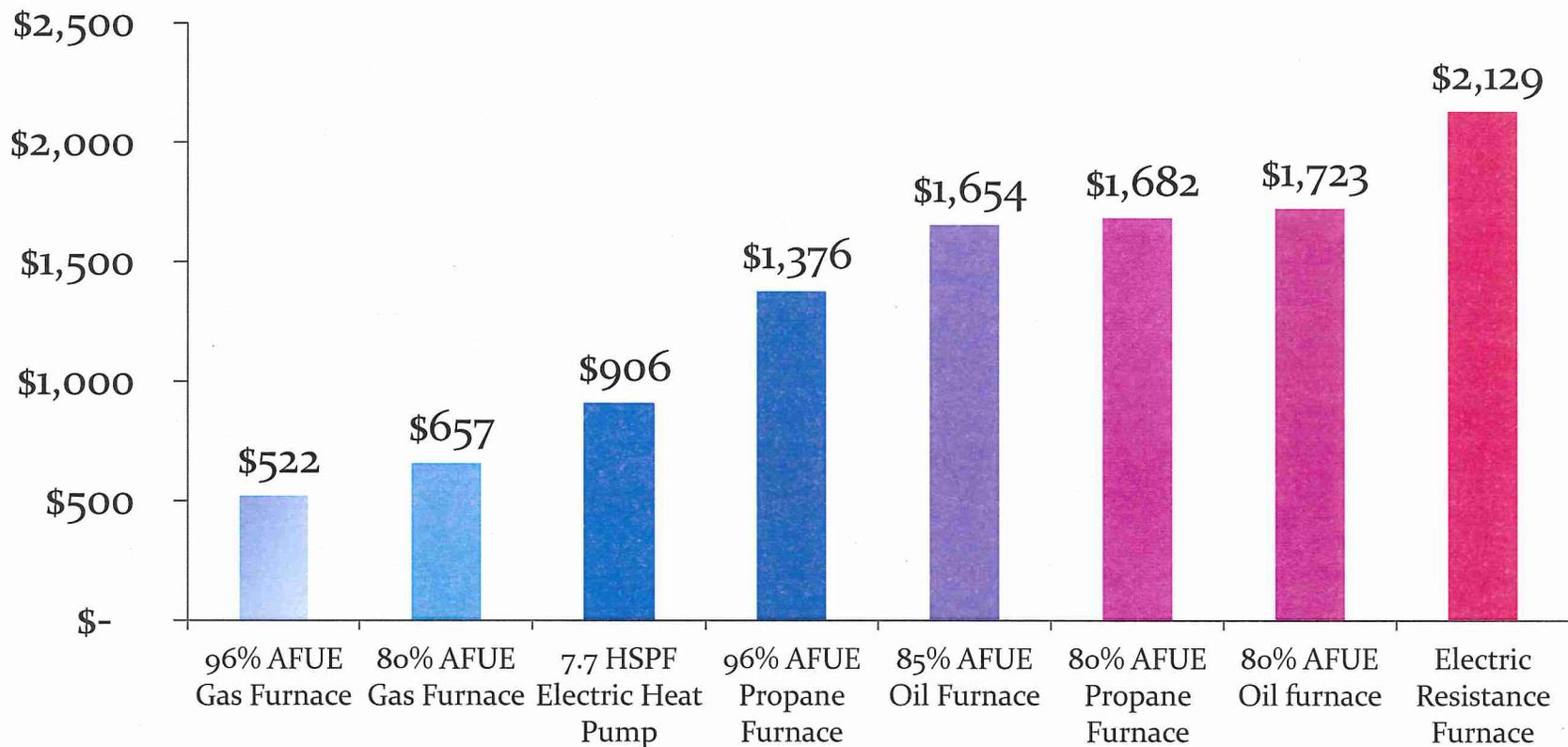
Cost per 100,000 Btu*



*Based on 3/17/13 MPSC Heating Oil and Propane Price Data and SEMCO ENERGY Gas Company rates for March 2013

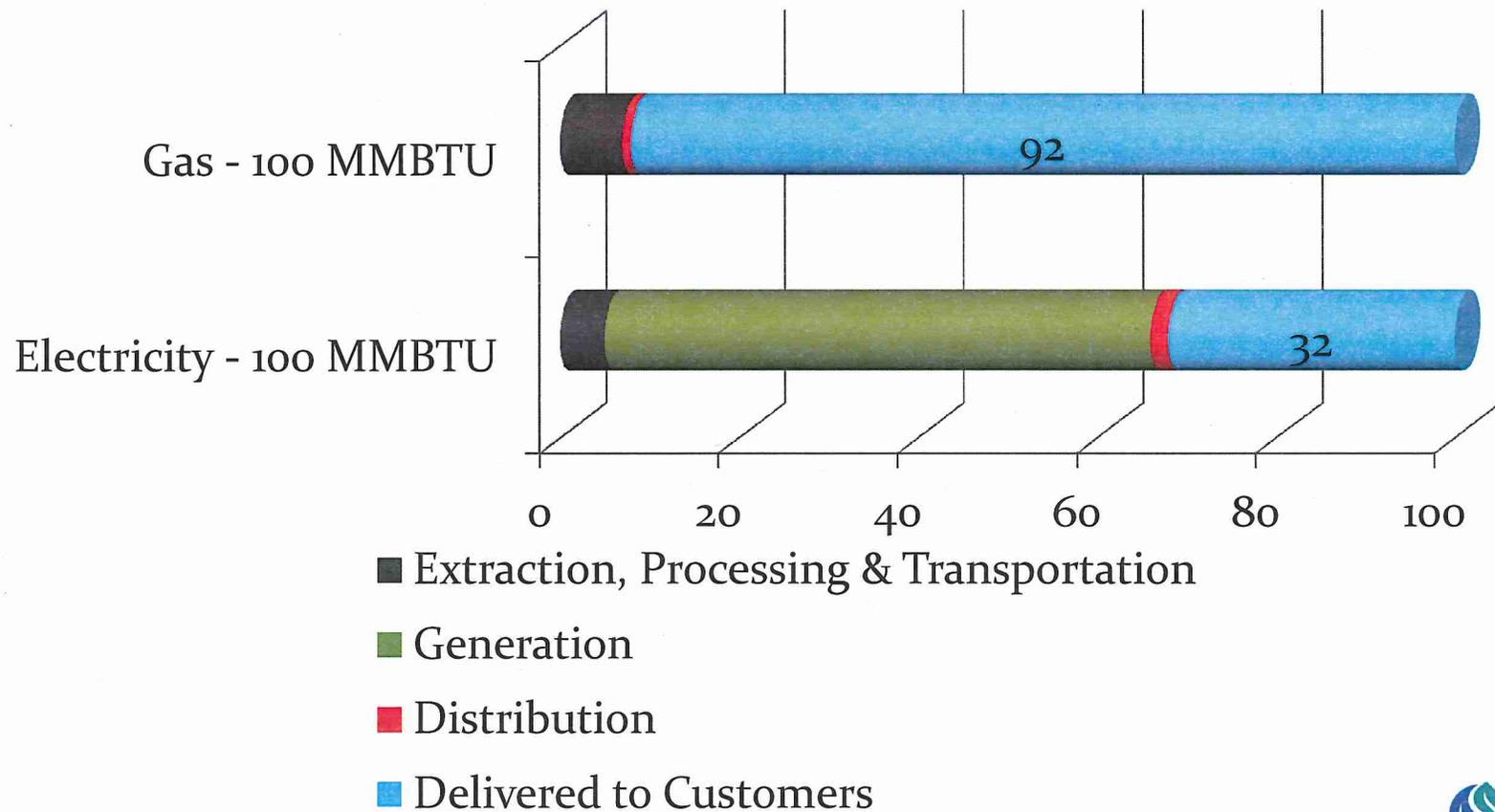
Energy Cost Efficiency of Natural Gas

Space Heating Costs



Source: U.S. Department of Energy Office of Energy Efficiency and Renewable Energy

Source to Customer Comparison

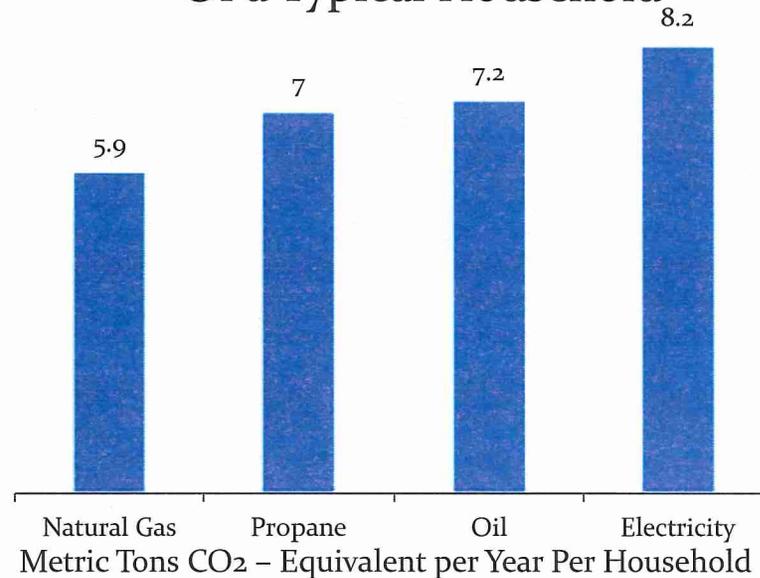


Source: American Gas Association

Benefits of Natural Gas

- Natural Gas costs less to heat than:
 - Propane or Oil
 - Electric Heat Pumps
- Natural Gas is better for the environment
 - A Natural Gas home emits less green house gasses when compared to other fuel sources

Full Fuel Cycle Green House Gas Emissions
Of a Typical Household





SEMCOENERGY

G A S C O M P A N Y

**Working Together In Planning
Michigan's Energy Future**