RESIDENTIAL ENERGY BILL CHARGES

Gas Customers

The following charges may appear on your Natural Gas bill:

Balancing Charge

Customers are charged this, based on the quantity of gas used, for providing the service of balancing the entire system which entails using storage capacity to make sure that every customer is served. The gas distribution system is a large network of pressurized pipes in the ground. The utility does not directly send gas from a starting point to a particular customer. They instead make sure that the distribution system, in its entirety, maintains the correct pressure. When someone starts using gas to cook or heat their home they do not call ahead to tell the utility to start putting more gas into the distribution system, they just use the gas which would lower the pressure on the system. To balance the system, the Company must constantly monitor the pressure in the system and inject more gas to maintain the correct pressure to ensure a constant flow of gas. If all customers purchased their gas from the utility, we likely would never see such a charge; it would be included in the GCR charge. But because customers can purchase gas from separate suppliers, and only use the distribution system of the utility, the cost must be broken out so that it can be charged to customers that do not purchase their gas from the utility. This is because the utility uses its own gas to balance the system. That means that Retail Open Access customers, which purchase their gas from separate suppliers, must pay a separate balancing charge to cover the utilities cost of balancing the system.

Customer Charge (Availability Charge, Fixed Charge, Member Charge, Monthly 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. This also may include charges for meter move out or replacement by some utilities.

Decoupling (RDM)

Decoupling was created to promote energy efficiency by removing the link between selling gas and the amount of revenue a utility earns in a given year. Historically if a utility sells more gas, they would earn more revenue. This creates incentive for the utility to sell more gas. An incentive for a utility to sell less gas is to decouple revenue from sales. This is done by separating fixed and variable costs and allowing the utility to cover its fixed cost even if it sells less gas than it plans to sell.

When a customer sees a decoupling surcharge on their bill, this means that in the previous year, the utility sold less gas than what was expected and used to calculate the rates they are allowed to charge their customers. The decoupling surcharge is meant to recover the lost amount of revenue that was intended to cover part of the utilities fixed costs. By doing this, the incentive is removed for a utility to sell more gas in any given period of time. It should also be noted that the mechanism is symmetrical, which means that if a utility sells more gas than expected, they will have to refund to customers the amount of revenue that was in excess of their fixed costs.

Distribution Charge (Volumetric)

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 a 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, MI Energy Efficiency Charge)

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 is a charge based on the volume of gas you use.

Under 1982 Public Act 304, every year, utilities file a GCR plan with the Commission explaining how it intends to meet its customers’ supply needs for the next year, as well as what charges are needed 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 gas with what was charged. Any difference is rolled into next year’s GCR plan.

Infrastructure Recovery Mechanism (IRM, Main Replacement Program, MRP)

This surcharge was implemented to recover costs of capital investments not covered under regular rates to upgrade a utility’s aging gas distribution system, including gas line replacement, meter relocation and pipeline inspection.

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

Section 6a of 2008 Public Act 286 allows electric and gas utilities to implement the amount of their proposed rate increase prior to the MPSC issuing a final order. A self-implemented rate increase is effective on a temporary basis for service rendered prior to a hearing or after a hearing and before a final order is issued. 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.

Sales Tax

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

Reservation Fee

In addition to the balancing charge, Retail Open Access (ROA) customers are charged a reservation fee charge. This charge is to recover costs that the utility must pay transportation pipeline companies for use of their system. A utility's distribution system is interconnected with large transmission pipelines. These pipelines connect gas supply coming from various places throughout the country (mostly the states on the Gulf of Mexico) to a utility's distribution system. The utility uses these transmission pipelines to transport gas it purchases from suppliers to its distribution system. Because utilities must accept ROA customers back whenever they want to come back, they must pay the transmission companies for space (capacity) on the pipeline in excess of what they need for their own gas supply customers. The excess is for ROA customers that will potentially comeback, and therefore must be paid for by ROA customers. Full service customers pay both the balancing charge and the reservation charge, but do not see a separate line on their bill because they are included in the GCR charge.