



## Switching Natural Gas Suppliers

Most Michigan residents purchase natural gas from one of the major Michigan suppliers: Michigan Consolidated Gas Company (Michcon), or Consumers Energy Company. Both are privately owned and regulated by the Michigan Public Service Commission (MPSC). The MPSC regulates the rates Michigan utilities may charge, except where local government sets rates through their franchise authority.

Beginning in 2002, the Michigan Public Service Commission approved a permanent gas utility choice program for natural gas customers. New companies selling natural gas, called Alternative Gas Suppliers (AGS) were allowed to begin marketing to Michigan's gas consumers. The new companies are NOT regulated by MPSC.

While major utilities like MichCon cannot offer a fixed price for natural gas, utilities' natural gas rates are regulated by the Michigan Public Service Commission, and are provided to customers at the same price the utility paid to secure the gas. By state regulation, revenues for utilities such as MichCon are derived from service and distribution costs instead of from a

mark-up of natural gas prices. As a result, the Alternative Gas Suppliers generally offer a fixed price for natural gas for a contractual period of time. This price may be higher or lower than the current rate charged by the local utility, but often will be guaranteed not to increase during the contractual period, which is not the case with the major suppliers. However, AGS contracts can also provide that the cost of the gas can increase during the contract so be careful to determine if the contract carries a fixed or variable rate for the actual cost of the natural gas.

In the last couple years alternative gas suppliers (there are about 17 of them operating in Michigan) have been contacting customers by telephone, by direct mail and by door-to-door solicitation, asking them to switch their natural gas supplier. In fact, some questionable sales tactics have been reported. The Legal Hotline always advises seniors to be careful about buying ANYTHING when the seller contacts you, rather than you doing your own shopping. Switching gas suppliers may or may not be a good idea. What is important is that anyone considering a switch make an informed decision.

You can compare the price offered by the AGS with that of the major supplier by looking at your major supplier's bill. This cost is listed as the "Gas Cost Recovery" rate listed on the bill. You must understand you will

be committing to a contract with the AGS and the rate you will be charged for the natural gas will be set by them and is NOT regulated by the Michigan Public Service Commission. You need to understand the terms and conditions of the contract before you commit to it.

If you decide to purchase gas from an Alternate Gas Supplier, your current gas utility will continue to deliver the natural gas to your home, read your meter, and send your bill—the rates charged for these services are regulated by the Public Service Commission.

If you become dissatisfied with your Alternate Gas Supplier, you can switch to another any time but be wary of cancellation fees. You can go back with the local utility after 12 months but must agree to remain with them for at least 12 months. There is no fee to enroll with a supplier and you can switch once each year without a fee, otherwise there is a \$10.00 fee for each additional switch.

What happens if you smell gas—who do you call? If you smell gas, have an emergency, or have a billing dispute you can still call the major supplier, your local gas utility.

As with any contract, don't be rushed into a new contract to change your natural gas supplier. Comparison shop and make sure you don't have

lingering unanswered questions; you can call the Michigan Public Service Commission for help at (800) 292-9555.