

Bay City Times

Battle brewing over Michigan's utility choice law

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The Tri-City area is poised to become an energy producing powerhouse as plans take shape to build coal-fired plants in Bay and Midland counties.

But a growing political fight over how the state regulates electric utilities could decide if one or both of the plants ever break ground.

"The premiere issue people are coming to my office to discuss is this issue," said state Rep. Jeff Mayes, D-Bay City, a member of the House Energy and Technology Committee.

Mayes said the debate is centered on Public Act 141, the state's "customer choice" law of 2000.

Mayes is a co-sponsor of legislation introduced Dec. 4 in the House of Representatives that would change existing law.

But there are differences of opinion about whether H.B. 5524 is a good or bad thing for Michigan and utility customers. The Energy Committee is expected to hear testimony on the bill this week in Lansing.

Companies such as Consumers Energy favor changes, arguing that Michigan's partly deregulated system lets industrial and commercial electricity users shop around for cheaper power. Those users typically are the most profitable and are needed to help finance a billion-dollar-plus power plant, the company contends.

The 800 megawatt facility proposed by Consumers in Bay County's Hampton Township would cost up to \$2 billion.

The company currently owns and operates the 2,500 megawatt Karn-Weadock generating complex in Bay County's Hampton Township.

"It takes eight years to build a large baseload power plant. If customers can continue to come and go, we won't know after the end of eight years that that customer is there to help pay for the plant," said David G. Mengebier, senior vice-president of governmental and public affairs at Consumers Energy.

The utility also points to a recent study by the group Public Sector Consultants, which concludes that Michigan should return to a regulated system.

The report contends that states with deregulated systems aren't building more power plants and are subject to market-based rate swings.

"I don't think the public and policy makers can tolerate the price volatility that comes with unregulated markets," Mengebier said.

But unregulated power companies such as the one pursuing a 750 megawatt power plant in Midland oppose returning to a regulated system. That would end their practice of selling power to specific customers.

"Obviously, we're an independent power producer, so we'd like to be able to do business in the state of Michigan," said Joy Buchanan, a spokeswoman for Mid-Michigan Energy, a joint venture between New Jersey-based LS Power Group and Houston-based Dynegy Inc.

The estimated cost of the Midland project is \$1.3 billion.

Midland already is home to the 1,500 megawatt Midland Cogeneration Venture. Consumers Energy sold its 49 percent interest in the plant in 2006 to GSO Capital Partners and Rockland Capital Energy Investments, both of New York City. Other partners in the plant include Dow Chemical Co.

Buchanan said independent power plants like Mid-Michigan Energy serve specific customers, but that helps keep the state's overall electric rates competitive.

A report by the group Customer Choice Coalition supports Mid-Michigan's position. It contends that Michigan's consumer choice law is successful and has helped save money for electricity users.

One member of the Customer Choice Coalition is Bay County-based Dow Corning Corp. Its subsidiary, Hemlock Semiconductor in Saginaw County, is the state's single largest electricity user and currently is served by Consumers Energy.

"Maintaining competition keeps rates down," said Mary Lou Benecke, manager of state government relations for Dow Corning.

Benecke said current electric rates in Michigan are favorable enough that many industries have not sought to contract with independent power companies. But that isn't reason enough to repeal Public Act 141, she said.

In a report issued in January on the state's energy needs, the Michigan Public Service Commission concluded that the current law is restricting construction of new baseload - or continuously operating - power plants.

Lawmakers such as Mayes agree.

"If we don't look at and do something about (P.A.) 141, we won't be building more baseload power, and Michigan could find itself in a situation where it doesn't have the energy necessary to support its businesses," Mayes said.

Mayes said the problem is that there are two competing viewpoints, and many voices favoring shades of gray in between. At one end, independent providers favor a competitive marketplace and at the other are regulated utilities like Consumers that want a guaranteed customer base, known as customer certainty, he said.

"I'm in support of customer certainty, but the devil is in the details," Mayes said.

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