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April 11, 2007

Law makers debate energy law for major power plants

Charlie Cain / Detroit News Lansing Bureau

LANSING -- The head of DTE Energy told lawmakers today that the state should repeal a seven-year-old law that he said has failed to bring competition and lower prices into the energy market and stands in the way of much-needed construction for major power plants.

"Current policy is failing us," said Anthony Earley, chairman and chief executive officer of DTE, which serves 2.2 million electric customers.

The law was designed to end the monopolies major utilities had long enjoyed by allowing alternative energy providers to compete for customers. But competition is virtually nonexistent in the residential market and alternative energy suppliers are serving just a tiny segment of retail customers, he said.

Speaker of the House Andy Dillon, D-Redford Township, has called for an end to the competition. His proposal, details of which have not been fully explained, would return the giant utilities to monopoly status in return for a new utility tax that would generate \$500 million or more annually.

Earley said he did not talk about the proposed tax when he huddled privately with lawmakers in their offices. But he said the two issues should be treated separately. He did say that any new tax on the utilities would ultimately be passed along to consumers.

He told members of the House Energy and Technology Committee that DTE is interested in pursuing plans to build a new nuclear power plant. But he said major utilities are not likely to invest the \$1 billion or more it would cost to build a new power plant because of the uncertainties under the existing regulatory conditions. He said that today a utility has no assurance that current customers will remain so in the future.

He said new plants are needed to handle growing energy demands. And he said the average age of his company's energy plants is 48 years, and some will have to be replaced in the future.

Earley told lawmakers the time to act is now, since it can take as long as 10 years to get a new, major plant in operation because of the rigorous licensing and construction process.

The talk of ending electric competition in Michigan is upsetting to the Customer Choice Coalition, whose members include the Michigan Grocers Association, a number of school groups and alternative energy suppliers among others.

"The verdict is in and competition and choice is working to hold down electric costs in Michigan," Barry Cargill, the coalition's executive director, said in a statement.

"That's why (we're) concerned about demands from the state's two largest electric utilities that the legislature kill the free market growing today in electricity, and instead restore the failed monopoly system managed by bureaucratic regulators of the 1980s and 1990s."

Cargill said choice has helped to reduce the cost of energy to Michigan customers, although they still pay higher bills than most of their Midwestern neighbors.

He also said that at least four independent companies are willing to consider building new power plants if competition remains in the law.

But Earley said those promises assume that the giant utilities enter long-term agreements to purchase power from the independents.

Earley said he was cautiously optimistic that lawmakers will repeal the choice law and return to a regulated system.

"The forces and issues are right to do it," he said. "It's going to be hard."

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