



Earley favors utility changes

DTE CEO wants regulated monopoly

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The state's current utility regulatory environment must change, DTE Energy Chairman and Chief Executive Officer Anthony Earley Jr. testified Wednesday before the Michigan House of Representatives Energy and Technology Committee.

Specifically, Earley said certain parts of Public Act 141 should be changed and a monopoly-structured system should be adopted.

Electricity deregulation, introduced in 2000 in the form of PA 141, was the state's first step toward industry deregulation. It was designed to foster competition among Michigan electric utilities.

"We think we need to repeal the choice elements of PA 141," Earley said. "We've demonstrated that electric choice doesn't work well in our industry. States have consistently seen their costs go up, and it has become an impediment to companies willing to make the multibillion-dollar investment for base load generation."

Detroit-based DTE is Michigan's largest energy company and is the owner of Detroit Edison, which serves 2.2 million electric customers in southeast Michigan.

Earley told the committee that Michigan needs a diversified stable of energy sources, including renewable fuels and energy efficiency. He added that DTE was in favor of going back to a modified version of a fully regulated environment that uses incentives as a means to encourage more efficient generation of electricity.

"Going back to a regulated monopoly approach is an economic model that has built the strongest infrastructure in the world," Earley said. "Most other industries have gone through this phase."

A failed experiment

Ann Arbor-based Public Interest Research Group in Michigan will publish a report today that also calls for drastic changes in the regulatory system. The report, titled "Lessons Learned: Michigan Electricity Restructuring Report," derides customer choice as a failed experiment. The report is to be posted on the PIRGIM Web site www.pirgim.org after 5 p.m. today.

"Instead of lower costs and more choices, consumers are paying more for electricity from the same providers," said David Pettit, consumer associate for PIRGIM. "In Michigan, as well as other states, the current restructured system has failed residents and small businesses."

There is no firm timetable on taking legislative action on PA 141, although the Energy and Technology panel has been holding hearings on the matter in Lansing for the past several weeks. For more information, e-mail committee chair Frank Acciavatti Jr., D-Eastpointe, at frankacciavatti@house.mi.gov.

Still, proponents of customer choice remain convinced that a power industry based on market forces is better for consumers than a completely regulated utility industry in Michigan.

Supporters of the current statute, primarily small- and medium-size businesses, dispute Earley's insistence that the legislation has been a failure.

Groups like the Customer Choice Coalition (CCC) point out that 2,000 megawatts of new electric generation capacity at a cost of about \$4 billion has been added to the system in Michigan since 2000.

In addition, they say customer costs in Michigan have fallen to become more competitive compared with neighboring Midwest states. According to a recent report issued by the CCC, residential rates for customers of Consumers Energy and Detroit Edison were reduced by 5% and frozen from 2000 to 2005.

Jackson-based CMS Energy owns Consumers Energy, which provides electricity to 1.8 million customers in Michigan's Lower Peninsula.

"It is clear that competition and choice has worked in Michigan and will continue to," said David Waymire, a spokesman for the Customer Choice Coalition, a group of Michigan businesses that support the current statute.

Waymire suggested PA 141 has saved customers nearly \$500 million and reduced utility costs by billions of dollars.

Waymire cites a January report published by the Michigan Public Service Commission that found that the number of Michigan residents who choose alternative electric suppliers over traditional utilities declined by 51% in 2006.

"We don't need a return to a monopoly that has failed miserably," he said. "Historically, we know that regulated monopolies provide high electric rates in Michigan. There is no reason to think that won't happen again going forward."

Earley has been an outspoken opponent of PA 141 for some time, though he initially supported the legislation in 2000.

At the time, it was assumed by many that electric competition would lead to lower costs. After seven years, however, Earley testified that it was clear that the so-called hybrid regulatory system is dysfunctional.

"We did support it, but it had to be a transitional step," he said. "But we've seen huge price volatility in the

industry since its inception. Virtually every independent power company that built a power plant in Michigan post-PA 141 either went bankrupt or is in severe financial difficulty and are trying to sell their plants."

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