

Gongwer News Service

Volume #46, Report #69, Article #02

April 10, 2007

CHANGES TO CUSTOMER CHOICE COMING

Provisions allowing electric customers in the state to choose a competitor instead of the local utility may not go away, but they will have to change to ensure the state has enough power, House Energy and Technology Committee Chair Rep. Frank Accavitti (D-Eastpointe) told Gongwer News Service on Tuesday.

While competitive providers could add to the state's generating capacity, Mr. Accavitti said only with utility ownership of baseload generation could the state be sure of the reliability of the system.

Though much of the discussion surrounding the committee's recent hearings has centered on repeal of PA 141, 2000 that allowed electric choice, Mr. Accavitti said it would not likely be possible to simply repeal the law. "PA 141 had huge tentacles in it," he said. "You just can't take that genie and put it back in the bottle."

And he said it may not be the right direction to eliminate customer choice. He noted that the current law has attracted only about 4 percent of commercial customers and no residential customers. "Whether we repeal the section that talks about customer choice or whether we tweak the provision to make it more advantageous to residential customers, the feeling is that we're not going to get a new power plant developed in the state unless we do something about the customer choice provision," he said.

He said it was essential that the utilities construct the new generation capacity the state will need. "We regulate utilities. We make them generate enough electricity to provide electricity for everybody," he said. "We expect them to be there. How can they rely on some secondary power producer?"

While he admitted some 20 percent of the current generating capacity in the state is owned by alternative electric providers, he said several of the plants are in new ownership because the company that built the plant went bankrupt. "What kind of reliability is that for the people of the state of Michigan?"

He said he is considering proposal that would allow choice, but allow utilities to pass on the cost of a new baseload plant to all power users in the state, not just the utilities' customers.

The committee heard testimony on Tuesday from Peter Lark, chair of the Public Service Commission, who said it wouldn't hurt for lawmakers to take the time to go over PA 141 some more. While he said it is up to legislators to make the policy decision on choice, he said from information he's seen, "this is not just going to be more

expensive for the people of Michigan but much more expensive."

Mr. Lark also commented that he didn't know much about a House Democratic proposal to put a 6 percent tax on the utilities, but that adding such a tax would hurt the state's competitive environment and that raising the rates, after he and the other commissioners have fought to keep rates relatively low, "would break my heart."

He also urged committee members that in looking at the state's energy needs they focus on three key areas: energy efficiency, renewable energy and the ability of utilities to build a plant if it is deemed necessary.