

**MIRS Capitol Capsule**  
**Thursday, February 1, 2007**

**Electric Competition Down**

In its annual report, the Michigan Public Service Commission (MPSC) announced that electric competition in the state is down 51 percent, marking the second straight year of decline.

The report showed that 7,300 commercial and industrial customers participated in Michigan's electric customer choice, a decrease of approximately 51 percent from the previous year.

"This decline can be attributed to significantly higher wholesale electric prices, higher fuel costs, and a movement of choice delivery rates closer to actual cost to serve," said MPSC Chairman J. Peter **LARK**. "However, if wholesale prices continue their recent declines, this could bode well for electric choice customers in the future."

David **WAYMIRE** of the Customer Choice Coalition said higher wholesale electric prices played a role in the decline, but so did 2004 changes to the state's electric competition law, which made it more expensive for companies to use an alternative supplier.

New requirements put in place as a part of the PA 141 re-write of 2004 and the Public Service Commission (PSC) has contributed to the "collapse" of choice in Michigan, he said, adding that if Lark's energy plan recommendations were adopted as proposed (See "[Statewide Energy Plan Projects Savings But Not Costs](#)," 1/31/07), electric company choice would die in Michigan.

Lark pointed out the state's electric rates are below the national average for all customer classes, including residential, commercial and industrial rates. And, among the 10 largest states, Michigan had the fourth-lowest retail electric rates last year, Lark said.

The report also included the following:

- About 6 percent of electricity sales in the service territories of Consumers Energy Company and The Detroit Edison Company, combined, are supplied by alternative electric suppliers (AESs), down from 12 percent in 2005
- As a result of declining electric choice sales, the MPSC reduced Detroit Edison's electric rates by more than \$78 million and ordered an experimental Choice Incentive Mechanism and load aggregation program for larger customers
- The MPSC allowed Detroit Edison and Consumers Energy to roll-in prior year under and over-recoveries into future power supply cost recovery plans to provide prompt and accurate price signals for customers operating in competitive electric markets
- The MPSC concluded stranded cost cases by netting 2004 costs to zero
- The Midwest Independent Transmission System Operator maintained reliable electric service during unexpected outages of major generating plants and extremely high summer temperatures and peak loads

- In 2006, there were 27 licensed AESs in Michigan. This is the same number as 2005, but reflects the addition of two new licenses and the rescission of two others.
- A comparison of the 10 largest states indicates that Michigan had the fourth lowest retail electric rates during 2006. Michigan's electric rates were below the national average for all three classes of customers: residential, commercial and industrial. Compared to other states with restructured markets, Michigan's retail electric rates rank seventh lowest for the commercial sector and eighth lowest for the industrial sector.
- Almost 7,000 customers participate in Consumers Energy's Green Generation pricing program, a voluntary expansion of its renewable energy production. A renewable energy program for Detroit Edison customers is pending at the Commission. Constellation NewEnergy, an AES licensed in Michigan, is offering its Green-e Renewable Energy product, giving commercial and industrial electric choice customers an option to select electricity from renewable energy resources.
- The MPSC is recommending legislation to reaffirm the requirements of Public Act 141 for the Commission to establish and sustain the Michigan Renewable Energy Program, and to provide the Commission with effective oversight authority to protect the public interest over utility mergers and acquisitions.