

## **MIRS Capitol Capsule**

**April 12, 2007**

### **PIRGIM Report Backs P.A. 141 Repeal**

Michigan residents have not benefited from the state's electric choice experiment. Rather, it has thrown electric costs for large corporations and small residential ratepayers alike under a cloud of unpredictability and put the state's ability to generate enough electricity in the long-term at risk according to a report released by a consumer advocacy group this week.

Like other states that have tried to open the electricity market to the private sector, Michigan has not seen the lower prices and increased customer choice that P.A. 141 promised to bring when it was signed into law in 2000, according to the 252-page report released by PIRGIM.

To fix the situation, the Legislature should adopt a new law creating a state public utility holding company and set aside \$170 million a year for energy efficiency and low-income-customer programs.

"Retail competition for small customers has not worked to deliver more choice or lower costs and it likely cannot work," read the first finding in the PIRGIM report.

The report comes on the heels of news that House Speaker Andy **DILLON** (D-Redford Twp.) is considering repealing P.A. 141 in exchange for the creation of a new budget-balancing utility tax. DTE Chairman Anthony **EARLEY** told a House committee on Wednesday that the state's electric choice law isn't working and should be repealed (See "DTE: Let's Get Rid Of P.A. 141," 4/11/07). Consumers Energy CEO David **JOOS** said in prepared remarks to the same House committee that dissolving P.A. 141 is "Michigan's best course of action."

PIRGIM's report joined this groundswell of support toward returning to a more regulated monopoly structure of electric service by stating that the current structure is throwing the financial and practical stability of the state's electric system into the hands of regional wholesale markets as opposed to a plotted-out, long-term planning strategy.

The report also noted that the shine is wearing off the electric choice program since it was adopted in 2000. Participation levels in alternative electric providers have dropped to less than 10 percent of the market by the end of 2006.

Numerous plugs were made throughout the report on the need for more energy efficiency, stepped-up efforts to inject more renewable energies into the state system and state building codes that incorporate cost-effective energy efficiency requirements.

Dave **WAYMIRE** of the Customer Choice Coalition (CCC) questioned how applicable the report is to Michigan considering the state's unique structure compared to other states. For example, unlike California and elsewhere, Michigan did not require utilities to dump its electrical generation facilities as a part of deregulation.

The report looked at the electric industry restructuring of six states — Illinois, Maine, Maryland, Massachusetts, Ohio and Pennsylvania. The report seemed to paint Michigan's experience in electric choice with the same brush, which isn't fair,

Waymire said.

Electric choice is working in Michigan, and, barring some tweaks to the system, needs to continue along its current path to prevent a return to a system where a powerful monopoly steers an understaffed and underpaid state regulatory agency through its high-priced attorneys and significant political pull, Waymire said.

Electric choice is forcing DTE and other incumbent electric companies to be more competitive with its rates and it's beginning to show, as DTE goes through some of the belt-tightening

DTE, for example, hasn't lost mass numbers of customers, but it's lost enough to have to go through some of the expected belt-tightening that companies in the private sector do to be more competitive, he added.

Waymire also said P.A. 141 could be changed to create a competitive bidding structure for future power plant placement and to address the dynamics of how much commercial customers are charged compared to residential customers.