

MIRS Capitol Capsule December 20, 2007

Energy Bills Still Have Life

The debate over energy regulation raged on today, even as most legislative business grinded to a halt during the week before Christmas.

On the heels of testimony by supporters of the House's original offering on energy reform ([HB 5520](#), [HB 5521](#), [HB 5522](#), [HB 5523](#), [HB 5524](#) and [HB 5525](#)) the House Energy and Technology Committee today listened to members of the Consumer Choice Coalition (CCC) speak against it (See "[P.A. 141 Rewrite Staying Put For Now](#)," 12/12/07).

One interesting proposal was to split off the renewable portfolio standards (RPS) from the rest of the package. Most coalition members testified they support the bipartisan compromise over RPS and asked that [HB 5548](#) and [HB 5559](#) (currently tie-barred to the package) move now. Bills would require 10 percent of the state's energy to be renewable by 2015.

That might guarantee some long-awaited change on energy, as Gov. Jennifer **GRANHOLM** has been beating the drum on alternatives. The Senate, which hasn't appeared to be as eager to move on regulation changes, may be more amenable to the RPS bills.

"Obviously, we are very eager to get the RPS in place," said Granholm spokeswoman Liz **BOYD**. "That's a priority of the Governor."

As for the rest of the bills, Boyd would only say, "Obviously, we're working with lawmakers on them and they're under review."

But Terry **HARVILL**, vice president of Constellation NewEnergy, warned against the overall effect of the tie-barred package.

"Without consumer choice, Michigan cannot achieve renewable energy," Harvill argued.

The CCC has said other bills will result in a \$350 million rate hike for residential consumers (See "[Choice Coalition Comes Out Swinging](#)," 12/10/07)

"Energy is one of the major costs businesses have that's often more than their state tax bill," said Fritz **BENSON** of the Association of Business Advocating Tariff Equity (ABATE).

Their biggest qualm is with [HB 5524](#), which would change Michigan's "consumer choice" legislation (P.A. 141) from a system that allows consumers to move freely from smaller "alternative" energy providers to the incumbents and back again to a system where they'd have to decide once and for all which company they were going with.

Under the new bill, customers would have 90 days to choose a provider and then they'd be locked in. This isn't choice, argued Eric **SCHNEIDEWIND**, the former chair of the Michigan Public Service Commission, who said legislation is asking consumers to see "10 to 20 years into the future."

"Alternative electric supply will leave Michigan if this is enacted," Harvill said, including his own business.

Schneidewind testified that regulated states don't see savings. He pointed to Wisconsin, which he said has the highest rates in the Midwest.

He also said Consumers Energy and DTE Energy were able to do well selling energy in the market following Hurricane Katrina under P.A. 141 guidelines.

When Rep. Mike **NOFS** (R-Battle Creek) asked why utilities shouldn't be given a break, Schneidewind said that's fine if "you want socialism."

"I've been called a moderate before, but I've never been called a socialist," Nofs responded dryly.

Another problem opponents have is hastening the time electric companies would have to institute rate hikes in **HB 5523**. Under the legislation, if the MPSC failed to act on a requested rate hike within 90 days, the company could go ahead with the increase.

Opponents call it "pancaking." Utilities can file a rate increase, start to collect the increase and then, if MPSC rules against the hike, within 90 days the utility can file another request, have it approved and on and on.

"This would allow rates to truly get out of control," said Rick **COY** of ABATE.

CCC members also urged the committee to dump **HB 5521**, the certificate of need legislation, in favor of **HB 4630**. They argued the former permits the utilities to pass along to its customers the initial costs of new plant construction.

At the end of two hours and 15 minutes of testimony, Chairman Rep. Frank **ACCAVITTI** (D-Eastpointe) said the committee would pick up the package after the New Year.

Energy Package Supporters

Prior to the committee hearing, supporters held a media roundtable on the package. They argued the bills were imperative to building new baseline power plants and reducing energy costs.

Without changes to P.A. 141, building new plants would be impossible, DTE Energy and Consumers Energy executives agreed. They support a full-scale repeal, but will back the House bills.

Their main argument is that without knowing their customer base, the utilities can't take the risk to invest in plants that take eight to 12 years to build.

Right now, Michigan is much more dependent than other states on coal-fired plants than nuclear, renewable or clean coal plants, noted Ken **SIKKEMA**.

The former Senate Majority Leader, now a fellow with Public Sector Consultants, was one of P.A. 141's architects. But he said rates are higher in almost every state that "went down the path of deregulation," such as Maryland and Texas.

"With deregulation, they can charge whatever the market will bear," Sikkema said.

He said the new legislation addresses both challenges of price and supply.

"It's very important that Michigan acts quickly because of the long lead time (on building plants)," he said.

Pat **DEVLIN**, Michigan State Building Trades Council executive director, said he views the bills as a "jobs package," noting the 35 to 40 percent unemployment in his industry. His members are ready to build the up to four new plants needed.

"It makes (Michigan) an attractive place to do business," Devlin said.