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## Just who's criticizing electric deregulation

Not surprisingly, utilities are lobbying to end price competition for power

The Oakland Press

The public needs to scrutinize the current wave of claims that electric deregulation has not worked in Michigan. Evidence indicates that it has at least slowed the increase in rates.

And just who are the critics of deregulation? Not surprisingly, they are principally the big utilities - all the more reason for suspicion. Jackson-based CMS Energy Corp.'s chief executive, David Joos, said his company will not build a new power plant unless Michigan lawmakers repeal or revise a 2000 law that lets consumers pick their electricity suppliers. Detroit-based DTE Energy's chairman and chief executive officer, Anthony F. Earley Jr., echoed those sentiments.

"I am optimistic that the Michigan Legislature will take the necessary steps to repeal the state's hybrid regulatory structure, which would enable us and others to build the plants necessary to power Michigan's future," Earley said. DTE has started work on preparing license application for a new nuclear plant at its existing Fermi site near Monroe. In January the Michigan Public Service Commission said the state needs a new power plant, probably coal-fired, within eight years.

"I don't blame them for saying they need to eliminate their competition before they build a new power plant," Barry Cargill, executive director of the Lansing-based Customer Choice Coalition, said after Joos' statement.

"What company wouldn't want that?" Meanwhile, the CCC unveiled three legislative measures last week that are designed to boost competition among electricity providers. Senate Bill 426, introduced by Sen. Jason Allen of Traverse City, would prohibit utilities from charging extra for delivery, billing and collection to customers who choose a different supplier.

Senate Bill 427, introduced by Sen. Wayne Kuipers of Holland, and its companion House Bill 4630, introduced by Rep. John Moolenaar of Midland, would require

competitive bidding to meet the state's future electric needs.

Senate Bill Senate Bill 428, introduced by Sen. Michelle McManus of Lake Leelanau, would require that customers who choose a supplier other than the major utilities, but are required to pay new generation plant fees or existing securitization fees, must receive equivalent amounts of power or a monetary credit in return for their payments.

The idea behind deregulation was to move from a monopoly situation to robust competition for electric customers, with backers promising potentially lower rates. However, a recent Associated Press analysis of federal data showed that consumers in the 17 deregulated areas of the nation paid an average of 30 percent more for power in 2006 than their counterparts in regulated states. That's up from a 24 percent gap in 1990. But "Michigan is different than other choice states," said David Waymire, a spokesman for CCC. "We purposely went slow and steady, and that has paid dividends."

Waymire disputed the AP evidence.

"We show there has been a 34-percent increase in both choice and non-choice states," Waymire said. "The states that have seen the largest increases, regardless of their regulatory status, are those that rely on natural gas for primary power production. It's easy to look at the deregulated states that have seen big increases due to their reliance on natural gas and blame deregulation. But natural gas states that are regulated have also seen major increases."

There is an ongoing disparity between Michigan's average electric rate and the average of other states in the Midwest.

"Before competition, we were way above," Waymire said. "We've slimmed down that difference. We're still too high, but the disparity has come down."

Central Michigan University professor Ted Bolema recently told the Federal Trade Commission that Michigan's electricity restructuring program started out as one of the most successful state-level programs for introducing competition in electricity supply.

By 2004, well over one-fourth of both commercial and industrial sector electricity was purchased from competitive suppliers. Average rates in all categories of service dropped from 2000 to 2004, at a time when rates nationally were rising.

But since 2004, competition has been halted and largely reversed due to rulings favoring the large established utilities by the Public Service Commission, Bolema said.

The PSC decisions followed a vigorous lobbying campaign financed by DTE. The

campaign claimed Michigan was on the way to a California-like regulatory disaster and predicted 30- percent price increases.

Bolema cited these negative developments in 2004:

¥ Surcharges were implemented that required customers of rival suppliers to pay for the "stranded" costs of the incumbent utilities' past investments in generating capacity, according to Bolema.

¥ New rules made it more difficult for customers who switched to alternative suppliers to return to the incumbent utility.

¥ A surcharge was imposed on all customers in the Consumers Energy lished utility experts like CMS's Joos should be listened to when they warn that it is important to act quickly to increase generating capacity. But just taking his word for it doesn't make sense either. It is axiomatic that competition reduces - or at least restrains - prices.

Repealing electric deregulation sounds like an extreme response. Lawmakers should find a way to fix it and make it work better. and Detroit Edison territories to subsidize wind power and other renewable energy projects. The Michigan Court of Appeals later ruled that the PSC had exceeded its authority by unilaterally imposing this surcharge. Nonetheless, the surcharge was in effect as alternative suppliers were losing market share, and added to the regulatory uncertainty at that time.

"Competition can be stifled when policy is turned over to regulators who don't believe in deregulation," Bolema said.

To be sure, electric deregulation is a complicated subject. Certainly, estab-Glenn Gilbert is executive editor of The Oakland Press. Contact him at (248) 745-4587 or glenn.gilbert@oakpress.com.

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