

Restructuring Today
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Is Michigan's energy plan for open markets, or against them?

The Michigan PSC yesterday released the state's first comprehensive energy plan since its markets opened Jan 1, 2002.

The plan seeks efficiency, more renewable energy and added generation.

The Consumer Choice Coalition -- a group of marketers, residential customers and businesses -- responded quickly, saying the plan would effectively kill competition and ensure Michigan has the highest power prices in the Midwest for years to come.

The plan -- issued by PSC Chair J Peter Lark -- would keep all control of rates in the PSC's hands and not let competition bring prices down, CCC executive director Barry Cargill said.

All retail power suppliers will be required to get at least 10% of their energy from renewable sources by 2015 under the plan -- protecting them from expected federal emissions taxes.

If that leads to insufficient supply and consumer's prices go up too much or the cost is too high, the PSC can cut short that goal.

But the commission has the ability to extend the renewable requirement to 20% by 2025.

Michigan's load growth should go up by 1.2% a year in the next 20 years, but the state hasn't added new power plants in 20 years. The average Michigan power plant is 48 years old.

The plan calls for a new baseload plant by 2015.

Any customers who require the building of added plants will have to foot part of the bill, including those on competitive supply, the plan says.

Only Consumers Energy and DTE could build the new plant, even if others could do it cheaper, Cargill said.

Making shoppers pay for new plants kills the chance for choice and a free market, he added.

The PSC hopes a new energy efficiency plan will help save consumers \$3 billion in the next 20 years by encouraging more efficient appliances.

After the plan's adoption, Michigan consumers will start paying market based rates.

C&Is subsidize residential customers, keeping residential bills low and giving an incentive for large customers to migrate to competitive supply.

But after C&Is migrate, utilities are often forced to raise rates to make up for the loss.

The PSC would like customers to pay the actual cost of their power to remedy that.

Customers that decide to shop, then opt to switch back to traditional generation will have longer time limits under the plan -- a two year wait or they pay a 60 day-market tariff.

That would protect utility customers from rate hikes.