

Electricity use debate slows new state laws

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LANSING -- A popular argument for rewriting Michigan's energy laws this year is that more electricity will be needed by 2015 -- not a lot of time for new power plants to be built.

But predicting energy usage is tricky.

Big utilities and others have tried to bolster their case for legislative changes by citing a January 2007 report from then-Michigan Public Service Commission Chairman J. Peter Lark.

The 21st Century Energy Plan estimated electric demand would grow an average 1.3% a year through 2025 and, as a result, require the construction of at least one large, multibillion-dollar power plant by 2015.

A year earlier, though, the regulatory agency had said electric use would grow at a higher rate. And the state's largest utility, Detroit Edison, told regulators last month sales in its service area would grow less than half of what Lark had predicted.

Economist David Littman forecasts that electric demand actually will drop over the next decade, not increase, because of Michigan's declining population, jobs and income.

Attorney General Mike Cox cites slipping estimates of future electric use to criticize proposed revisions to Public Act 141, a 2000 state law opening up regulated monopolies Detroit Edison and Jackson-based Consumers Energy to competition from alternative power suppliers.

"Looking at those numbers, we ought to pull back and say, 'Let's go slow on Public Act 141,'" Cox said last week.

Yet the Legislature seems poised to act. After months of negotiations and legislative hearings, the state House this week may send the Senate an energy package that would limit competition to 10% of the market, which would help utilities get financing for new plants. It also would require that more of Michigan's electricity come from green sources

and promote energy-saving measures.

No part of the plan can become law unless all of it's signed, though Cox argues for separating the issues.

Former Senate Majority Leader Ken Sikkema, coauthor of a study backing big changes to Michigan's hybrid regulatory structure, says there's no doubt about the need for more electricity.

"Every state is facing rising demand," he said, pointing to an estimate from the federal government that U.S. electricity sales will grow 50% by 2030. "If you're extremely aggressive about" mandating green energy "and energy efficiency, you still need the big plants. You just can't get away from that."

PSC Chairman Orjiakor Isiogu says people are using more electricity despite the state's economic downturn. They are buying up plasma TVs and powering their growing supply of iPods, cell phones and BlackBerrys.

The typical resident uses 8% more electricity today than 10 years ago, according to Consumers Energy. The company hit all-time monthly sales records three times in 2007.

Growth in demand estimated by the 21st Century Energy Plan is modest, even conservative, Isiogu says.

But skeptics say the report is dated and underestimated the potential of wind energy and energy efficiency.

"We shouldn't be making billion-dollar investment decisions on a year or two old data," said David Gard of the Michigan Environmental Council.

That's one reason environmentalists are happy that House leaders are open to something called integrated resource planning. Before giving the OK to new electric generation, regulators would decide if more power is needed; compare the price tag of traditional power and renewable power, and explore ways to conserve energy -- not just build more capacity.

The process could help determine how much people pay for electricity, which is expected to get more expensive because of higher fuel costs and potential restrictions on greenhouse gas emissions linked to global warming.

Regulators also would have a chance to re-evaluate energy forecasts on a regular basis.

Littman, for instance, says Michigan has enough power for years. The senior economist with the free-market Mackinac Center for Public Policy in Midland predicts electric demand will fall slightly each year for a decade.

People think Michigan is going through a cyclical economic downturn, Littman says, when the state's really in a decades-long downward trend and losing ground compared with other states.

More optimistic projections about future electric usage aren't realistic and "lead to very expensive conclusions," he said.

Opponents of coal-fired power plants are citing Littman's numbers to try to halt four proposed plants in Michigan. They want to focus on reducing energy consumption and tripling the state's green power within eight years, with a more ambitious renewable portfolio standard, or RPS, by 2020 or 2025.

Alternative power suppliers and schools and businesses that buy their electricity also say the Legislature should focus on renewable requirements.

