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Granholm will sign bills to raise power rates, increase alternative energy

Mark Hornbeck and gary heinlein / Detroit News Lansing Bureau

LANSING -- An energy package that will raise residential electric rates by up to 12 percent, require more electricity to be generated by renewable sources and put a cap on competition to the major utilities won final passage in the Legislature Thursday.

Gov. Jennifer Granholm, who has been pushing for expansion of renewable energy for months, will sign the two bills in the long-awaited energy plan "as soon as they reach her desk," spokeswoman Liz Boyd said.

The legislation calls for 10 percent of Michigan's electric power to come from renewable sources such as wind, solar and hydroelectric power by 2015. Currently, about 3 percent of the state's electricity is generated by these sources.

"This legislation will spark the investment in alternative energy we need to create jobs and diversify our economy," Granholm said. "It will also ensure that the energy we need to heat our homes and power our businesses will be clean and affordable for generations to come."

Without the legislation, the state's energy future "was very uncertain, beginning in about 2012," said House Speaker Andy Dillon, R-Redford Township, a key advocate of the plan.

Industry subsidization of residential power will be phased out under the plan, causing household electric bills to rise gradually over five years beginning in January.

Also included in the plan is a fee tacked onto customers' monthly bills starting about the middle of next year to pay for energy-efficiency programs that advocates say eventually will lower power costs across the state. Power companies can count energy savings they achieve as part of their renewable energy requirements.

DTE officials said the average ratepayer who has a \$75-a-month electric bill will pay an additional \$6 to \$6.50 monthly next year and \$8 to \$9 a month in the fifth year as a result of the legislation. Consumers Energy officials said monthly bills for average ratepayers will increase by \$6 to \$7.50.

But backers of the plan said that will be offset by the fact that rate increases will modify in the years ahead because utilities no longer will be forced to meet up to 20 percent of the Michigan's power

requirements with electricity purchased at market rates from out-of-state firms. They cite a study that forecast long-term savings of \$4 billion.

Competition from alternative electric companies will be limited to 10 percent of the total market, meaning the two giant utilities -- DTE and Consumers Energy -- are guaranteed 90 percent of the market. Alternative companies are now serving about 3 percent of the market. The utilities have long contended they need a guaranteed market to secure financing to build power plants.

"The legislation has provided the certainty necessary to construct new power plants," said DTE Chairman Anthony Earley Jr. "These projects will provide thousands of highly paid construction jobs and long-term employment for hundreds of engineers, scientists and skilled technicians -- just the kind of new economy and jobs Michigan needs."

The legislation also would let the utility giants pass on to their customers, within limits, the cost overruns of new power plants they build. Consumers Energy plans to put up a \$2-billion coal-fired plant and DTE wants to construct an \$8-billion nuclear plant.

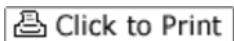
The strict limits on competition "will create the largest residential rate in Michigan's history," said Barry Cargill, executive director of the Customer Choice Coalition, a group of businesses that favor competition. He estimates the overall impact of the two bills will be an increase of \$475 million a year for utility customers, which amounts to \$13 a month for DTE customers and a little less for Consumers ratepayers.

Sen. Wayne Kuipers, R-Holland, who voted against the bills, said: "This will result in massive rate hikes at a time when we can least afford it." He said in the wake of 8.9 percent unemployment in the state "what do you say to those who have just lost their jobs and now ask, 'How can I pay for this?'"

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