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House Energy Plan to Move By March

Though the utilities and their competitors appear still miles apart on how to address the state's energy needs, some plan will be moving from the House by the end of February.

A workgroup of leaders from both chambers, the administration, utilities and their competitors met for some four hours Wednesday night to begin hashing out a final package.

Various parties, both on the record and off, have called the package as it stands in the House now a mess, but House Energy and Technology Committee Chair Rep. Frank Accavitti (D-Eastpointe) said all sides were able to agree to a timetable of having something in the hands of the Senate by the end of February.

"We had an amazing meeting," Mr. Accavitti said. "We came out of that meeting knowing what page everybody was on."

House Speaker Andy Dillon (D-Redford Twp.) said they made progress during the meeting. He said he still expected the final project to include a renewable portfolio standard, energy efficiency programs and revisions to PA 141, 2000 that enacted customer choice programs.

Rep. Mike Nofs (R-Battle Creek), minority vice chair of the House committee who attended the meeting, said it was important to have the people who have been at odds over the PA 141 issue at the same table in a controlled environment where the administration and lawmakers could hear from all sides simultaneously, which was what happened Wednesday night.

Mr. Nofs described the meeting as "professional and conciliatory."

He said his mind and others have not been made up, and that was emphasized several times during the meeting, but so was the fact that "the train is moving out of the station" on the issue.

Mr. Nofs said he will have another bill draft ready by the end of next week that will address the de-skewing issue so that alternative suppliers and the utilities can compete on a level playing field.

He said it's important to realize that utilities have helped the state grow over the past 100 years, but the current regulatory structure has commercial and industrial customers subsidizing residential customers. Since utilities are the only ones with residential customers and alternative suppliers can lure commercial and industrial customers to their company because of the lower costs, that's not a fair system, Mr. Nofs said.

However, his draft will not eliminate choice altogether. Instead, 10 percent of a utility's base load could be open to move to an alternative supplier. Mr. Nofs said the current regulatory system has allowed 100 percent of customers to choose an alternative supplier, but only about 2 percent have.

He said the hybrid works because alternative suppliers would still be able to increase their customer base five times over, but the utilities would have a more stable customer base in order to move forward with building more power plants.

Mr. Accavitti said he expected more such meetings in the coming weeks to complete work on the bills.

But more importantly, Mr. Accavitti said, will be keeping Sen. Bruce Patterson (R-Canton), chair of the Senate Energy Policy and Public Utilities Committee, in the loop on the discussions.

"Whatever steps we take we will keep him informed so that we won't get away from where the Senate is," he said. "We don't want to get all this work done and not have it be something that not palatable to the senator."

But members of the Customer Choice Coalition, who attended Wednesday's meeting, argued the deck was stacked against them in the discussions.

"It was billed as a negotiation, but it wasn't a true negotiation," said Robert Nelson, a former Public Service Commission member now working with the coalition. Instead, he said, the utilities laid out what they were and were not willing to consider and that was the basis of discussions.

He also argued that there were groups not represented, like residential customers, that have a stake in the discussions. "We believe there should be more parties in that room if you're going to discuss the energy future," he said.

Jeff Holyfield, spokesperson for Consumers Energy, declined to characterize the discussions, attended by Consumers CEO David Joos, but he said the issues have been well addressed. "Now we need an energy policy that will allow Consumers Energy and others to build the power plants Michigan customers are going to need," he said.

COMPETITOR PLAN: The Customer Choice Coalition laid out its proposal to the Senate committee Thursday for solving the state's long-term energy needs. The proposal would force the use of renewable power for the first seven years, but the force renewables to compete with coal and other traditional sources to meet the state's power needs.

The plan, presented by former Public Service Commission Chair Eric Schneidewind, would require renewable power to be phased in, with 6 percent required by 2010, 8 percent in 2012 and 10 percent in 2015. Most of those sources, he said, would be

implemented more quickly than building a new power plant and could help to fill gaps while new plants are built.

That is consistent with the first-stage goals set by Governor Jennifer Granholm leading up to a 25 percent portion of power from renewable sources by 2025.

Any of those requirements would be postponed if the cost for the power was more than 103 percent of the cost of power generated with coal. "The reality is nobody wants to pay extra for it," he said.

But after 2015, the plan would grant the Public Service Commission authority to determine if new baseload power is needed in the state and to take bids on providing that power.

While discussions recently have been about what premiums would have to be added to utility bills to cover the cost of implementing renewable power, Mr. Schneidewind argued wind, at least, would be competitive with coal.

The 21st Century Energy Plan developed a year ago by former PSC Chair Peter Lark pegged power from a new coal plant at 5.7 cents per kilowatt hour. But Mr. Schneidewind said more recent figures show a new coal plant would actually cost 10 cents per kilowatt hour by the time one could be completed.

"There has been a price explosion in the cost of generating plants," he said. And he said the problem is exacerbated in Michigan because many of the skilled trades people needed to build the plants have moved to other states.

That cost would be countered by questions some have raised about the reliability of some renewable sources. Mr. Schneidewind admitted that wind farms would have to be backed up by some other source when the wind is not strong enough to generate the power needed.

"There are legitimate questions whether all renewable sources can compete fairly with baseload," he said. But he said the group's plan would allow all technologies an equal chance to prove themselves.