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ENERGY BILLS FINALLY COMPLETED, HEAD TO GOVERNOR

More than one year's effort to enact major changes to the state's utility regulation system and to establish a renewable portfolio standard for the development of alternative energy sources finally reached completion Thursday as the Legislature approved compromises on [HB 5524](#) and [SB 213](#).

The conference reports on HB 5524 were approved on votes of 78 to 29 in the House and 25-11 in the Senate, and on SB 213 on a vote of 26 to 10 in the Senate and in the House on a vote of 83 to 24.

Also approved was [SB 1048](#), which grants an income tax credit to consumers who purchase Energy Star rated appliances, the most efficient now on the market.

There was still some drama and irony, however, in the final votes. Winning immediate effect on HB 5524 took some time in the Senate as Democrats and Republicans huddled on the issue. As they did so, however, the lights suddenly went down in the Senate chamber. "Okay," joked [Sen. Alan Sanborn](#) (R-Richmond Twp.) "I'll vote for it" (though he didn't need to in the end).

Over in the House, the voting board had technical difficulties throughout the day, meaning Speaker Pro Tempore Michael Sak (D-Grand Rapids) had to call off dozens of lawmakers' votes for the three bills.

The stage was finally set for action on Thursday, some 20 months after [Governor Jennifer Granholm](#) called for creation of an RPS and nearly four years after the Republican-controlled House created a subcommittee to look into energy alternatives, after the two conference committees completed action on the bills in the late morning.

Ms. Granholm said she is anxious to sign the bills, and while on her trade mission to Japan (she returns on Saturday) she said she has been asked frequently about whether the state has developed a renewable portfolio standard.

Passage of the package, she said in an interview with Michigan Public Radio, gets Michigan into the game of attracting manufacturers and companies developing alternative energy. And with all other states in the Great Lakes region, save for Indiana, having an RPS, Michigan's standard will help bolster both the state and region as a target for alternative energy developers.

And after the package passed, she issued a statement saying: "I applaud members of the House and Senate who voted to invest in Michigan's future by passing this historic legislation. Together, we are sending a signal to the world that Michigan is ready to build a bright future for our citizens by creating jobs, diversifying our economy, and ensuring that our 21st Century energy needs are met in a way that protects our pocketbooks and the planet."

The package should help move the state into the 21st Century in terms of energy development, especially alternative energy development, along with providing both jobs development, supporters said. They also said the package will help control the inevitable cost increases.

[Rep. Mike Nofs](#) (R-Battle Creek) said the legislation allows citizens to "control our destiny. Yesterday we didn't, today we do. (Citizens) saw Republicans and Democrats work together."

[Sen. Randy Richardville](#) (R-Frenchtown Twp) said the package would create "the most comprehensive electricity plan ever" for the state.

House [Speaker Andy Dillon](#) (D-Redford Twp.) said a RPS, new electrical generation and energy efficiency will provide significant job creation and secure the state's energy future so it does not rely on imported electrical power.

Senate [Majority Leader Mike Bishop](#) (R-Rochester) also repeated the theme of bringing the state into the new century and said ensuring stable energy supplies and taking steps to make Michigan and the country self-sufficient in energy was critical. "We were at a stage where we could sit on our hands and let energy policy evolve over time or take an active role and we decided that today," Mr. Bishop told reporters.

But critics said the package will cost consumers too much. Energy costs are already going up, they acknowledged, but the two bills could double those costs. With the state's unemployment rate now at 8.9 percent, [Sen. Wayne Kuipers](#) (R-Holland) asked how they will answer those newly unemployed.

House [Minority Leader Craig DeRoche](#) (R-Nov) said it was the worst time to be raising electric rates on Michigan residents. He also argued that in a free market economy, "the company is supposed to take the risk, not my grandma."

And Dave Waymire, spokesperson for the Customer Choice Coalition, said it was "pretty clear that the Legislature wanted to hide the details of this until after the election."

While most the focus of late has been on SB 213, which will require that 10 percent of electric energy generated in the state by 2015 come from renewable sources, HB 5524 rewrites the state's electric utility regulation system.

In fact, until just a few months ago HB 5524 was the focus of the controversy with opponents arguing it would allow the state's two largest utilities, DTE and Consumers Energy, to monopolize the state after years of operating under a system that allowed consumers greater choice in selecting their power providers. Opponents charged the bill would effectively force a long-term "tax" of billions of dollars on consumers.

In rebuttal, the utilities said without the changes they could not build new baseload power plants that would in turn spur new economic development in the state and lead to the hiring of thousands of workers.

HB 5524 changes PA 141, 2000, which partially deregulated the utility industry and provided for greater customer choice. The bill allows up to 10 percent of the load of each of the two major utilities to still seek alternative providers. While critics blasted the bill for putting this 10 percent limit on, supporters said it reflected the reality of the current system where fewer than 10 percent of customers have opted for choice.

The bill establishes in the Public Service Commission the ability to certify the need for new baseload plants after a contested hearing. However, the package also allows the PSC to include relative costs and benefits of alternative forms of energy before approving a new, presumably coal-fired plant. Some environmentalist hope that provision will lessen the need for new coal plants once the full benefit of alternative energy is included.

However supporters of the bill also hope the CON process will encourage utilities to build plants with excess capacity in hopes of meeting future demands without having to draw power from outside Michigan. But the bill limits the ability of utilities to charge for cost overruns on new plants at 10 percent (the measure initially would have allowed for a 25 percent increase).

The bill does provide for a faster process in deciding on rate increases and "deskews" rates that have favored residential consumers over businesses. But the deskewing process would be put into place over five year period with the maximum increase on rates set at 2.5 percent a year. Consumers Energy has said that once deskewing is completed the average consumer rate will go up by 9 percent while industrial rates will go down by as much as 5 percent and commercial rates could fall by as much as 6 percent.

[Sen. Cameron Brown](#) (R-Fawn River Twp.) - who was the only member of the conference committee on the bill to vote against it - said the legislation limits the ability of the PSC to block increases and means consumers will have to pay for new plants before they are even built.

Though he voted for the package, Mr. Bishop acknowledged he was not completely happy doing so, since the package works against classic market strategies.

It was SB 213 that ended up taking the longest to resolve. The measure started off as a 9-page bill and finished at 102 pages long.

Ms. Granholm had called for the state to develop a 25 percent RPS by the 2020s, a standard other states have set. Mr. Bishop said Republicans did not think that attainable. The 10 percent level by 2015 was a doable level, he said.

Under the bill the major utilities would have to generate 10 percent of their electricity using alternative means. While the focus has been mostly on the use of wind and solar power, the bill also sets standards for power generated through coal gasification, biomass, agricultural waste and other sources.

In fact, [Sen. Liz Brater](#) (D-Ann Arbor), who otherwise praised the bill, said one of the disappointing aspects of the bill was that it did direct that some of the alternative sources had to include coal gasification. That would only end up adding more emissions to the atmosphere, she said, but she said understood how the process of making law occurred.

The bill also allows surcharges for RPS development, with residential rates capped at no more than \$3 a month, while commercial "secondary" entities would pay \$16.58 a month and industrial and "primary" commercial entities would pay \$187.50 a month.

Another major development in the bill, however, is that "net metering" is included, something utilities had opposed. Under net metering, customers that generate their own electricity can then sell the excess power back to the utilities.

The final legislative action was praised by the Michigan Jobs and Energy Coalition, a group that includes the major utilities, as a forward-thinking action that will help ensure sufficient energy infrastructure and provide desperately needed jobs for the state.

And Lana Pollack with the Michigan Environmental Council said the package was a "good initial move in making Michigan competitive in energy savings programs and clean, homegrown energy."

The votes on the bills were as follows:

HB 5524:

SENATE REPUBLICANS FOR (9): Allen, Bishop, Cropsey, Gilbert, Kahn, McManus, Pappageorge, Richardville and Stamas.

SENATE REPUBLICANS AGAINST (10): Birkholz, Brown Cassis, George, Hardiman, Jansen, Jelinek, Kuipers, Sanborn and Van Woerkom.

HOUSE REPUBLICANS FOR (25): Ball, Booher, Calley, Caswell, Caul, Elsenheimer, Gaffney, Hansen, Hildenbrand, Horn, Hune, Rick Jones, Knollenberg, LaJoy, Moolenaar, Moore, Nofs, Palsrok, Pastor, Proos, Robertson, Rocca, Schuitmaker, Walker and Ward.

HOUSE REPUBLICANS AGAINST (27): Acciavatti, Agema, Amos, Brandenburg, Casperson, DeRoche, Emmons, Garfield, Green, Hoogendyk, Huizenga, D. Law, Marleau, Meekhof, Meltzer, Moss, Nitz, Opsommer, Palmer, Pavlov, Pearce, Shaffer, Sheen, Stahl, Stakoe, Steil and Wenke.

SENATE DEMOCRATS FOR (16): Anderson, Barcia, Basham, Brater, Cherry, Clark-Coleman, Clarke, Gleason, Hunter, Jacobs, Olshove, Prusi, Schauer, Scott, Switalski and Thomas.

SENATE DEMOCRATS AGAINST (1): Whitmer.

HOUSE DEMOCRATS FOR (53): Accavitti, Angerer, Bauer, Bennett, Bieda, Brown, Byrnes, Byrum, Cheeks, Clemente, Condino, Constan, Corriveau, Coulouris, Cushingerry, Dillon, Donigan, Ebli, Espinoza, Farrah, Gillard, Gonzales, Griffin, Hammel, Hammon, Hood, Hoppood, Johnson, Robert Jones, Lahti, K. Law, LeBlanc, Leland, Lemmons, Lindberg, Mayes, McDowell, Meadows, Meisner, Melton, Miller, Polidori, Sak, Sheltroun, Simpson, A. Smith, Spade, Tobocman, Vagnozzi, Valentine, Warren, Wojno and Young.

HOUSE DEMOCRATS AGAINST (2): Dean and Scott.

SENATORS ABSENT (2): Garcia and Patterson.

REPRESENTATIVES ABSENT (3): Clack, Jackson and V. Smith.

SB 213:

SENATE REPUBLICANS FOR (9): Allen, Birkholz, Bishop, Gilbert, Hardiman, McManus, Richardville, Stamas and Van Woerkom.

SENATE REPUBLICANS AGAINST (10): Brown, Cassis, Cropsey, George, Jansen, Jelinek, Kahn, Kuipers, Pappageorge and Sanborn.

HOUSE REPUBLICANS FOR (28): Ball, Booher, Calley, Caswell, Caul, Gaffney, Green, Hansen, Hildenbrand, Horn, Hune, Rick Jones, Knollenberg, LaJoy, Marleau, Meltzer, Moore, Nofs, Opsommer, Palsrok, Pastor, Pearce, Proos, Rocca, Schuitmaker, Walker, Ward and Wenke.

HOUSE REPUBLICANS AGAINST (24): Acciavatti, Agema, Amos, Brandenburg, Casperson, DeRoche, Eisenheimer, Emmons, Garfield, Hoogendyk, Huizenga, D. Law, Meekhof, Moolenaar, Moss, Nitz, Palmer, Pavlov, Robertson, Shaffer, Sheen, Stahl, Stakoe and Steil.

SENATE DEMOCRATS FOR (17):, Anderson, Barcia, Basham, Brater, Cherry, Clark-Coleman, Clarke, Gleason, Hunter, Jacobs, Olshove, Prusi, Schauer, Scott, Switalski, Thomas and Whitmer.

HOUSE DEMOCRATS FOR (55): Accavitti, Angerer, Bauer, Bennett, Bieda, Brown, Byrnes, Byrum, Cheeks, Clemente, Condino, Constan, Corriveau, Coulouris, Cushingerry, Dean, Dillon, Donigan, Ebli, Espinoza, Farrah, Gillard, Gonzales, Griffin, Hammel, Hammon, Hood, Hopgood, Johnson, Robert Jones, Lahti, K. Law, LeBlanc, Leland, Lemmons, Lindberg, Mayes, McDowell, Meadows, Meisner, Melton, Miller, Polidori, Sak, Scott, Sheltroun, Simpson, A. Smith, Spade, Tobocman, Vagnozzi, Valentine, Warren, Wojno and Young.

SENATORS ABSENT (2): Garcia and Patterson.

REPRESENTATIVES ABSENT (3): Clack, Jackson and V. Smith.

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