



June 15, 2008

## Theodore Bolema: Utilities' plan would fatten their wallets

The Michigan Senate is considering a package of bills to largely end the state's six years of limited competition in the supply of electricity. While the bills' stated goals may be laudable, the current policy debate is being driven largely by special interests, not consumer interests.

DTE Energy and Consumers Energy, Michigan's two largest utilities, are trying to regain much of their state-sanctioned monopoly status by claiming these bills would lower electricity costs, promote investment in new power plants and create jobs.

The evidence, however, suggests the proposals would do just the opposite.

- Electricity pricing.

When the Michigan Legislature ended the protected monopolies enjoyed by big utilities in 2000, Michigan electricity rates were among the highest in the country and higher than rates in any neighboring states. By 2004, Michigan electricity rates fell below the national average, where they remain today, and the gap between electricity rates in Michigan and its closest neighbors had narrowed considerably.

Michigan rates are now below those in Wisconsin, a state that briefly allowed electricity competition but repealed it following intense pressure from Wisconsin utilities. Suppressing competition in Michigan would only invite higher prices typical of monopoly markets.

- Investment in power plants.

The utilities have repeatedly claimed that they can afford to invest in a new electricity generation only if they are protected from competition. Yet several independent electricity suppliers are preparing to build new generating capacity in Michigan despite facing fierce competition.

Indeed, the Federal Trade Commission recently recognized that a competitive market is the best way to promote new investment, writing, "We believe that a focus on removal of regulatory obstacles ... at the federal and state levels can be an important step toward appropriate, efficient reliance on conventional price mechanisms to handle scarcity and guide investment."

If Michigan needs new power plants, we should encourage all potential suppliers to compete, not give utilities expensive preferences as in the current package.

- Job creation.

Through clever marketing, the proposed legislation is packaged as a jobs bill that would somehow stimulate state economic growth. That goal is a questionable departure from the traditional focus of energy policy on maintaining a reliable and affordable supply of electricity.

Worse, any job creation at the big utilities almost certainly would be overwhelmed by job losses elsewhere as Michigan's already troubled economy is burdened with the higher energy costs that restricting competition would bring. The same is true of any jobs created renewable-energy industries, since such energy remains costlier and less reliable.

The environmental aspects of the proposals can be debated on their own merits without resorting to unrealistic claims that renewable energy quotas will somehow stimulate the economy and job creation.

Michigan needs every economic advantage available. It can ill afford to abandon electricity competition for the benefit of its biggest utilities. As noted by renowned economist Alfred E. Kahn: "Policy-makers confronting pressures to undo the restructuring of the electricity industry would be well advised to base their decisions on the longer-term benefits that will flow from properly implementing competitive markets."

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