

**MIRS**

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### **Big 3 Goes For Round 2 On Energy Costs**

The Big Three said a House energy plan would cost consumers billions, but the Michigan Public Service Commission (MPSC) said doing nothing to change the state's energy policy is the most expensive option.

The Detroit automakers, who last week received a tongue-lashing from Senate Energy Policy Committee Chair Bruce **PATTERSON** (R-Canton) for their reticence to testify, were back before the committee today. (See "[Big Three Get Grilled On Energy](#)," 2/28/08).

The companies wanted to impress upon senators how expensive energy legislation could be for them.

But the Big Three backed off their estimate last week of a 39 percent rate hike if a new electric choice plan in the House passed. The numbers came from the Association of Businesses Advocating Tariff Equity (ABATE), a trade organization for large industrial electric customers, which based estimates from a new electric choice proposal currently being considered in the House.

Assuming a new nuclear plant, a new coal plant and a new transmission line, the Big Three now claims the legislation will cause a 4 percent increase, or \$273 million by 2010, and a 34 percent hike or \$2.34 billion by 2025.

According to their figures, rates under the status quo setup for energy — no increase in renewable energy or building new baseload plants despite Michigan's rising energy needs — would increase \$1.66 billion or 24 percent by 2010 and 53 percent, or \$3.73 billion by 2025.

Taking the status quo together with their cost estimates for new power, the Big Three say rates will soar by 28 percent, or \$1.94 billion by 2010 and will swell to 79 percent or \$5.5 billion by 2025.

Patterson said their calculus makes a lot of assumptions — starting with "the Senate deferring to that (House) bill." He also said the state wouldn't authorize a new transmission line if two plants were being built.

MPSC Commissioner Monica **MARTINEZ** testified the cost of doing nothing would be \$4.3 billion.

"What I'm suggesting to you is that doing nothing isn't the cheapest method," Martinez said. "In fact, doing nothing is the most costly option."

David **LYONS** of Chrysler said energy is one of the Big Three's "top three or four

metrics we use" in determining which plants to keep open and which to close. Energy used to be 6 percent of the automakers' operating costs in the mid-'90s and has risen to almost 10 percent today.

Michigan needs an integrated resource plan to provide the energy the state needs at the lowest cost, Lyons said.

Patterson replied: "That sounds like a long-range energy plan and that's what we're trying to do."

He also expressed concern that Michigan could be left holding the bag if the state increased its energy production and the automakers shuttered plants and moved to China with cheap labor and cheaper power.

"If we build it — the field of dreams — you may still leave," Patterson said, "and we create capacity that will be borne by those who don't leave."

Jeff **WHITE** of Ford said the "curse of Michigan is its aging fleet and the blessing of Michigan is its aging fleet." That uses less power.

#### Alternative Energy Debate Continues

Patterson noted a new study by the Carnegie Mellon Electricity Industry Center written up by *Bloomberg News* that deregulation is contributing to higher rates. That seems to mirror a study penned by former Senate Majority Leader Ken **SIKKEMA**, now of Public Sector Consultants, for the Protect Michigan Coalition.

George **BILICIC** of Lazard, a New York investment firm, testified about the alternative energy market. He said there are "intense cost pressures" in the energy market today. He also said that a carbon tax is on its way under the new president and Congress. He predicted it would likely pass in 2010.

Bilicic testified that enacting renewable portfolio standards (RPS) would increase alternative energy activity in the state.

"I don't think that's even a question," he said.

Patterson, still smarting from an interview Gov. Jennifer **GRANHOLM** gave to the national media calling Michigan a "backwater" for alternative energy, asked Bilicic to describe Michigan's energy situation in one word.

"Normal," he replied.

"Normal?" Patterson repeated with glee. "Not a backwater? ... Did the media get that?"