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## Price of Electricity Hinges on Michigan Legislature

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The price of your electricity for years to come could hinge on what the Legislature does in 2008. [A](#) | [A](#) | [A](#)  
Big utilities are lobbying state lawmakers for a rewrite of energy rules before they will agree to build new, multibillion-dollar power plants to be paid for by customers. Gov. Jennifer Granholm is pushing for new laws this month requiring the utilities to supply more renewable energy, a move she says would bring new jobs to a hurting economy and let Michigan produce more of its own energy. Environmentalists are arguing for more energy conservation and trying to stop Michigan from joining a nationwide construction boom in coal-fired power plants. Such plants emit major amounts of carbon dioxide, a greenhouse gas linked to global warming.

The complexities of energy policy can be confounding to even the most seasoned of legislators. But there is a bottom line for residents and businesses: Although rising demand and higher costs of fuel used to make electricity will continue pushing up customers' bills, decisions made this year by the Legislature and governor will determine how high they go.

"This industry is so linked to policy that we can't ignore it. Over 50 percent of the battle is really in the (legislative) hearing room," said Jim Croce, CEO of NextEnergy, a nonprofit trying to speed research and development of alternative energy technologies in Michigan.

The debate comes nearly eight years after the state restructured its electricity market to let alternative power suppliers compete with Detroit Edison and Jackson-based Consumers Energy, regulated monopolies that generate 86 percent of Michigan's power.

Electricity here isn't cheap. The state ranks 18th-highest nationally and highest in the Midwest. The state's national ranking has slightly improved, though, since passage of a 2000 law known as Public Act 141.

The Michigan Public Service Commission has credited Michigan's unique framework -- part regulated and part unregulated -- for holding down rate increases compared with other states.

Among 20 states that let companies compete for customers, Michigan has the seventh-lowest residential and industrial rates and sixth-lowest rates for commercial customers -- all better than when the law took effect.

But there is a problem.

Michigan will need new power plants to meet extra demand, and large plants capable of running continuously rather than just during periods of peak demand can cost \$2 billion a piece to build. Although there's some disagreement over how soon a lot more power is needed -- estimates say as early as 2015 -- many of Detroit Edison and Consumer Energy's existing plants are old and need replacing.

No major power plants have been built in the state in 20 years. Utilities blame the 2000 electric-choice law for making their customer base unpredictable, letting business customers switch between utilities' regulated rates and alternative providers' unregulated prices. Investors won't lend them the money to build new plants if they don't know how many customers they will have, utility executives say.

"The seesaw nature of this hybrid leaves would-be investors with no assurance that customers will stay long enough in either of the two choices to invest a billion or more dollars in renewable or traditional power construction," said CEO Tony Early of Detroit Edison, which sells electricity to 2.2 million customers.

Utilities would like to repeal the 2000 law so customers no longer could turn to alternative providers. They

realize lawmakers are unlikely to do that, so now want them to limit choice and make other major legislative changes.

A package of bills nearing a vote in the Democratic-controlled House attempts to tackle those issues. But critics say the measures would be a bonanza for utilities -- killing competition, making customers cover the costs of plants while utilities are still building them and allowing rate hikes to pancake on top of each other. That would overwhelm PSC staff and leave customers with higher bills, they say.

"The utilities are trying to say, 'No one but us should be allowed to build these power plants. And nobody else should sell electricity to the ratepayers, either,'" said Lynne Mackey, director of regulatory policy for St. Louis-based LS Power, which wants to build a \$1.9 billion coal-fired plant in Midland. "What gives them the inherent right to that business?"

Schools, grocery stores and other businesses that buy electricity from alternative suppliers, along with independent companies that sell or want to produce it, instead support bills in the Republican-led Senate letting anyone bid for the right to build a new plant. Competitive bidding, they argue, would ensure customers get the best deal -- whether it be coal, nuclear, wind or measures that decrease a customer's energy needs.

The battle over regulation has filled Capitol hearing rooms with lobbyists from the power industry. But it also is complicating one of Granholm's top priorities in March: requiring that 10 percent of Michigan's electricity come from wind and other renewable sources by 2016.

Twenty-five states have what is known as a renewable portfolio standard, or RPS. Without an RPS to attract wind turbines, backers warn, the 14th-windiest state is missing out on capital investment, jobs, better air quality and a chance to use in-state resources -- wind -- instead of importing most of the coal and natural gas needed to run power plants.

Seeking a comprehensive solution, House leaders are linking renewable requirements to rewriting P.A. 141 and creating the state's first energy conservation program in more than a decade. Since no bill can become law unless the full package is signed, some are concerned nothing will get done.

Thirteen months ago, then-Public Service Commission Chairman J. Peter Lark said Michigan needed four new major power plants by 2015. With more energy efficiency requirements and an RPS, he said, just one new plant would be needed.


But concerns about government mandates and costs are making it hard to sell some lawmakers on renewable requirements.

Also in the mix are measures requiring greater energy efficiency. In one example, residents might pay 50 cents more up front each month so power companies could give customers fluorescent light bulbs that end up saving energy. The concept could save \$3 billion in electricity costs over 20 years and ensure utilities remain profitable despite selling less power, says David Gard, who directs the Michigan Environmental Council's energy program.

"This is as much about protecting ratepayers over the long term as it is about anything else," Gard said of the energy debate. "The option is how much more we're going to pay."

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