



Everything Michigan

Plan would make Michigan customers pay more, in hopes they'll use less energy

By Jeff Kart | The Bay City Times

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Consumers Energy wants to charge you for using less electricity.

The company has filed a plan with the Michigan Public Service Commission to "decouple" the relationship between energy rates and use, and a ruling could come as soon as mid-November.

The idea is that the company is now encouraging people to use less electricity and natural gas through a customer-funded energy efficiency program, so Consumers needs to begin to recover its fixed costs for providing power by putting a new charge on bills.

That new charge, which has yet to be determined, officials say, means you'll pay a little bit more in fixed costs every month on your energy bill. But the idea is that you'll end up using less energy, so your total costs will go down.

The bottom line is, it behooves you to take advantage of the company's energy efficiency program and rebates it provides. Information on the program, launched in July, is online at consumersenergy.com.

Michigan set goals last year to reduce electric usage by 5.5 percent and natural gas usage by 3.8 percent by 2015, said Jeff Holyfield, a spokesman for Consumers Energy in Jackson.

"When the whole issue of energy efficiency and optimization was being discussed up in Lansing, we said 'We can do this,'" Holyfield recalled.

"But there also has to be a recognition that encouraging customers to use less of our product is not a long-term business model for us. It just doesn't make sense."

Residential electric and gas customers are already paying \$1.40 a month on their bills to fund the energy efficiency program, which lasts for six years and will cost about \$500 million. The "decoupling" measure would put another fixed charge on bills on top of that.

Decoupling was included in comprehensive energy legislation signed a year ago by Gov. Jennifer Granholm.

The legislation also was seen as essential to allowing Consumers to build a new power plant in Bay County, because it guaranteed the utility a certain number of ratepayers into the future.

State Rep. Jeff Mayes, D-Bay City, helped shepherd the energy legislation through the Legislature.

Mayes said decoupling is a way to stabilize eventual increases in energy rates. He believes that decoupling, if done right, shouldn't hurt residential ratepayers or businesses.

"The days of traditional energy companies are changing," Mayes said. "Over time, as we see more renewables on homes, and businesses work harder on renewables, energy companies will be increasingly about reliability."

The goal of decoupling is to set the rates and charges correctly so “utilities are actually encouraged to become more efficient if they want to maximize profits,” he said.

Mayes said he and others will be watching how the Michigan Public Service Commission handles a proposal from Consumers to implement decoupling.

Holyfield said the PSC is expected to issue a final order by mid-November in a Consumers electric rate case that calls for decoupling.

The **Michigan Environmental Council** supports decoupling, said James Clift, policy director.

Clift says the idea is to turn utilities into energy service companies, rather than strictly power providers.

In the end, using less electricity will put more money in the pockets of families and allow more businesses in the state to remain competitive, he said.

“In theory, the rate per kilowatt hour could go up, but the idea is if you’ve implemented energy efficiency provisions in your home and the number of kilowatts you’re using is going down, hopefully your overall bill is going down,” Clift said.

The MEC doesn’t support building a new coal plant in Bay County. Consumers has proposed a \$2.3 billion, 830-megawatt, coal-fired plant at its Karn-Weadock complex in Hampton Township.

Clift says he hopes the plant, if built, will at least serve to replace older, less-efficient plants in the Consumers fleet, which is the nation’s oldest.

The PSC, which is considering Consumers’ decoupling proposal, said last month that a new plant in Bay County isn’t needed until 2022 unless Consumers shuts down existing plants in its system. The company hasn’t officially committed to that yet, and is awaiting a ruling on an air permit for the new plant, expected to come by the end of the year.

The PSC recently issued a report on decoupling of electric and natural gas revenues in Michigan ([.pdf](#)).

Officials concluded, “The adoption of an effective decoupling mechanism is expected to reduce energy costs in the long run through the promotion of cost effective energy efficiency measures.”

Clift says many people probably won’t even notice the decoupling charge on their bills, because it will be so small.

“If you shrink demand by 1 percent a year, maybe your rates will go up by 1 percent a year to offset paying Consumers Energy for their fixed costs,” he said. “We see that as a much slower increase in your bills than adding a bunch of new capacity,” like the new plant in Bay County.

It’s also important to note that the decoupling plan works both ways, meaning that if Consumers sells more electricity, the amount they can charge for it would go down, Clift said.

“We want them to be partners in convincing people to use less electricity, but when you do that, you’ve got to recognize that they’ve got certain fixed costs and therefore we want them to be reimbursed ... with a reasonable rate of return,” he said.