

Business groups want electric choice revisited

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Business groups are calling for changes in a 10-month-old state energy law after the market available to nonutility electricity providers in West Michigan was capped to new customers.

Jackson-based Consumers Energy Co. notified state regulators earlier this month that the 10-percent share of the market available to alternative electricity providers had been exhausted. Utilities are guaranteed at least 90 percent of Michigan's electric market as part of the green-energy legislation signed last October.

The provision amounted to a rewrite of the state's deregulation laws of 2000, which opened the electricity market to competition. The recent announcement means business and residential customers will now have no choice but to get their electricity from Consumers Energy.

"By eliminating competition, manufacturers cannot seek the best price for one of their most important manufacturing inputs," said Jeanne Englehart, president and CEO of the Grand Rapids Area Chamber of Commerce that last year opposed changes to the electric choice because "our members would be hurt by this law and that's exactly what is happening.

"Policymakers need to revisit this arbitrary cap on the electric market and make the economically wise decisions that should have been made last fall," Englehart said.

Opponents of last year's change point to large rate hikes already in the pipeline from Consumers Energy and say Michigan's electricity rates are now the highest in the Midwest. The Michigan Public Service Commission has approved some \$600 million in rate hikes for Consumers Energy and Detroit-based DTE Energy, the state's two largest electric utilities, since the law went into effect.

"Under the current model, once the Consumers -- which they have -- reaches their cap, they're guaranteed 90 percent market share and can pretty much dictate energy prices going forward," said Jared Rodriguez, senior vice president of the Grand Rapids Area Chamber of Commerce.

At a time when many employers face tough choices, such as whether to lay off workers or scale back expensive health care benefits, limiting competition among electricity providers means higher energy costs, Rodriguez said.

"We should let the market determine this one," he said.

The Michigan Public Service Commission in May approved Consumers Energy's application for a \$215 million rate hike but ordered the utility to offset the amount with \$36 million from the 2007 sale of its Palisades Nuclear

Power Plant near South Haven. The commission also has OK'd a plan by Consumers to issue separate surcharges for its renewable-energy and energy-efficiency programs.

Companies such as Amway, Haworth Inc., Perrigo Co. and Spartan Stores Inc. have sought their electricity from alternate providers, said Barry Cargill, executive director of the Customer Choice Coalition.

The utilities lobbied hard last year to re-regulate the state's electricity market, arguing that they needed the market certainty in exchange for making large investments in new coal-fired plants and wind farms.

Consumers said it sought its general rate hike to help it meet environmental requirements and to make system upgrades.

Consumers spokesman Dan Bishop said calls for revamping the new law are "premature."

"In our view, the law is working as intended," Bishop said.

"It's provided us the market certainty needed to make investments to serve the customers in Michigan over the long term. Our rates are at or about the national average."

The electricity market is also highly volatile, Bishop said, with the percentage of its market that purchased electricity from alternative providers dipping as low as 3 percent a year ago.

But that low number proves only that the state's electric choice law worked, Cargill said.

"Michigan customers had the best of both worlds. We had the opportunity to have regulated rates if you chose but also the ability to shop for competitive electricity," he said.

"What that did was force the utilities to operate more efficiently."

Cargill said it was predictable that Consumers would seek to raise rates once it was guaranteed a 90-percent market share.

But the energy package passed by wide margins last fall, and it's not clear whether there is interest in Lansing in revisiting the issue.

State Sen. Wayne Kuipers, a Holland Republican who sits on the Energy Policy committee, has spoken out in favor of expanding electric choice.

"What we have with eight months of experience with this bad law ought to open legislators' eyes," Cargill said.

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