

The Michigan Legislature has enacted a new energy policy with goals of stimulating development of renewable energy and providing for our state's future energy needs. Whether the new policy will be successful, and at what cost, remains to be seen.

This new policy is a stark departure from where Michigan was just 8 years ago when Governor John Engler chose competition as the solution to Michigan's "high cost" energy woes. Since 2000, Michigan's electric rates have increased slower than any other Midwest state and far slower than the national average, while increasing reliability by 4,000 megawatts.

Under the old regulated system, Michigan ratepayers bore the burden of billions of dollars of ill-fated utility projects, including DTE's Fermi II project and Consumers Energy's Midland Nuclear Plant venture.

The new law returns to the "ratepayer bears the risk" model that existed prior to competition and disincentivizes investment in new generating capacity by private companies.

The state must set benchmarks to determine whether this new monopoly-driven electric system works better than the competitive marketplace we are largely abandoning.

What benchmarks should we look toward?

1. **Prices.** Eight years of competition tamed rate hikes and made Michigan's rates more competitive with neighboring states. A sharp increase resulting from bad utility investment choices will hurt Michigan citizens and be a major impediment to our state's economic development efforts. Each utility investment must yield the greatest cost/benefit for ratepayers.
2. **Alternative Supplier Market Share.** Increasing migration of customers to alternative suppliers should be a sign Michigan's rates are moving above "prevailing market rates." Steps should be taken to lift the 10 percent cap to allow Michigan businesses the benefits of competition.
3. **Cost overrun of new power plants.** The legislation allows a virtually automatic approval of cost overruns for new generation projects. Michigan should compare the future rate impact of new, proposed utility generating plants with the rate impact of the additions which took place from June 2000 – Sept. 2008.
4. **Renewable Power Costs.** Today, Michigan utilities provide about 3 to 4 percent of their power from what is defined as "renewable power" under the new law. The law requires almost nothing more until 2013 and gives them complete control of renewable power generation until 2015. Fortunately, it will be easy to compare the cost of renewable power in other states to that proposed or developed in Michigan.

The Customer Choice Coalition believes when prices go up, full subscription of the electric choice program up to the 10 percent will occur within two years and costs for renewable energy will be more than in our neighboring states where competitive bidding will reduce the cost of reliable renewable power.

We believe the Legislature will then need to revisit its energy policy options and act to repeal the monopolistic system and return to the competitive system that lowered costs and helped make Michigan more competitive since 2000. We will be actively participating in the implementation of the new law to ensure energy policy goals are achieved efficiently and at the lowest cost.

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