



## Utility tax electrifies opposition

Critics say fee would show up on people's power bills

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LANSING -- House Democrats' plan for a new tax on utility companies that would net \$500 million to help balance the state budget stirred the political pot Thursday, as Republican reaction ranged from wariness to outrage.

House Speaker Andy Dillon, D-Redford Township, said his plan would not allow utilities to pass on the entire cost of the tax to their customers. He said details were incomplete as he announced plans for House committees to meet during the usual spring break next week to finish a budget by the end of April.

Attorney General Mike Cox blasted Dillon's plan as a hidden tax on Michigan homeowners, renters and businesses and a gift to the two largest utilities.

"Every ratepayer in Michigan would end up paying more," he said.

The Free Press reported Thursday that the plan could produce as much as \$1 billion in revenue, but Dillon said the net revenue would be less in order to hold down customers' electricity bills.

He said that could be done through tax subsidies, but he would not elaborate.

Dillon's plan also would effectively eliminate competition for the large utilities under a 2000 law that opened the electric power market to smaller utilities. He said giving the two largest utilities a lock on the electricity market with beefed up regulation would make it easier for them to borrow money to build needed power plants in the state.

Cox said the plan would wreck 27 smaller energy suppliers that have cropped up in Michigan since the 2000 deregulation law.

Cox credited Dillon with thinking creatively but, "I don't think the two utilities would even have the brass to suggest what the speaker is suggesting because they'd be looked at as greedy pigs."

Dillon said he would have pursued ending the state's open-competition rules even if it were not tied to his plan

to tax the utilities.

"I don't believe the free market works in the utility environment," Dillon said. "A lot of states that have experimented with this have gone backward. We wouldn't be the first."

Rick Coy, a spokesman for ABATE, a coalition of Detroit's big automakers, U.S. Steel and 10 other industrial companies, said competition has reduced power rates in Michigan.

"If you eliminate choice, that causes difficulty for anyone who uses a lot of energy," Coy said. "And it means prices are going to be higher, not lower."

Since 2004, Coy said, fewer industries have switched from DTE or Consumers Energy to alternative utilities because a Michigan Public Service Commission rate ruling made a switch less profitable.

Senate Majority Leader Mike Bishop, R-Rochester, said Thursday that he was skeptical of Dillon's utility tax. "I'm not torpedoing the idea, but this looks like a veiled tax increase," Bishop said.

He added, "I'm encouraged by the fact that we're at least seeing progress in the House, and there's an effort to move this ship forward."

Bishop also panned as unconscionable Gov. Jennifer Granholm's plans to close down parts of state government in May unless the budget crisis is resolved. By then, the state could face a cash flow shortage that would render it temporarily unable to pay its bills.

"If her only solution is to shut down government, we just won't include her in the discussion," Bishop said

Liz Boyd, Granholm's spokeswoman, said Granholm was being prudent by ordering state department directors to draft contingency plans should the state run out of money.

"We have a budget crisis we need to resolve," Boyd said.

Bishop also said the prospects of rescinding a 2% pay increase for state employees in October and in April 2008 is dead because of lack of support from Democrats. The measure would require a two-thirds vote of approval from both the House and Senate.

Granholm's executive order last week to trim \$344.6 million from the state budget Thursday received final approval from the state House. But Democrat Granholm remained at loggerheads with Senate Republicans, who began a two-week recess with the rest of a \$940-million deficit unresolved.

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