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BUSINESS WANTS DETAILS ON DILLON PLAN, LEERY OF REPEALING CHOICE

Business organizations said they wanted more details before taking a stand on House [Speaker Andy Dillon](#)'s (D-Redford Twp.) proposal to generate new revenues by taxing utilities. Some were also concerned that the proposal to repeal the customer choice act (PA 141, 2000) would hurt consumers.

One official blasted the proposal as creating a new monopoly for the state's largest utilities, and hoped that Mr. Dillon would reconsider the proposal.

Attorney General Mike Cox said he lost his morning Wheaties when he first read of the proposal to impose the utilities tax and eliminate customer choice.

Ending PA 141 will effectively create a monopoly of electric power utilities in DTE and Consumers, Mr. Cox said. The state "shouldn't advocate for monopoly power," he said, and if the utilities themselves had come up with the proposal "people would call them greedy pigs."

Bill Knox of the AARP and the Customer Choice Coalition said PA 141 has helped consumers save \$500 million on electricity bills and it was "quite astonishing" to suggest ending the choice option when officials are advocating for greater competition in other areas. Barry Cargill of the coalition also said PA 141 helps make the state competitive, and he said if that law is ended, there was a very chance the state could lose Hemlock Semi-Conductor near Saginaw which has said the cost of electricity will be a key factor in its decision to either stay in the state or move operations to Kentucky.

Dave Waymire, a spokesperson for the coalition, said manufacturing in general would face a "devastating" situation if the law were ended. "Many manufacturers pay more in electric costs than in state and local taxes combined."

And Mr. Cox said the tax would be passed onto all consumers in the state, though Mr. Dillon said that could be avoided (see related story).

Charlie Owens, state director for the National Federation of Independent Business, said his members wanted to see more details before they reach any conclusions on whether to support the proposal.

He said he's not sure how businesses in his organization would feel about repealing the Customer Choice Act but said if the utility tax gets passed onto consumers that might

be an issue.

Rich Studley, vice president of the Michigan Chamber of Commerce, also didn't want to comment until he sees specifics of the plan, but said the Chamber supported the initial passage of the Customer Choice Act and wanted to know more about its possible repeal.

"The people we represent would have a lot of questions and concerns about the repeal of that law," Mr. Studley said.

Rob Fowler, president of the Small Business Association of Michigan, said that the group generally feels taxing utilities is a direct tax on customers, but wants to know more about any specific proposal. He also said SBAM is opposed to repealing the customer choice act.

"We're completely opposed to re-monopolizing our electrical utilities," Mr. Fowler said. "We don't see Speaker Dillon as a re-monopolizer either."

Ray Telman, executive director of the Middle Cities Education Association and administrator of the Michigan Schools Energy Cooperative, said the customer choice act has saved schools tens of millions of dollars over the past few years.

"The loss of choice would result in a direct increase in our costs compared to what we would have had before choice," Mr. Telman said.

He also said he wanted more details of the plan and that would work to maintain the option for public schools.

"More details are necessary but I think electric choice has served everyone well, it's served consumers well and most assuredly served the schools well," Mr. Telman said. "In a time when schools are being asked to consolidate and do more with less this program has been one example of how schools have consolidated and saved money."

Power producers appeared less concerned about the proposed tax as with the repeal of PA 141. The state's two largest utilities both maintained the change was needed to ensure the state has sufficient power into the future. Competitors said eliminating the market would only ensure residents and businesses are paying too much for power.

"We recognize the need to address the partially regulated and partially deregulated market in the state," said Lorie Kessler with Detroit Edison.

"There will still be a need for new baseload generating plants in the state," said Jeff Holyfield with Consumers Energy. "With that 2000 electric choice law that wouldn't allow us or another utility to finance that plant."

Competitors have argued they can get that financing without the guarantee of customers

the utilities say they need and can operate the plants at lower cost than the utilities.

"What possible connection can there be between a fee that is collected as a tax substitute and a proposal to eliminate electric choice which has allowed so many electric customers to moderate their electric rates," said Eric Schneidewind, attorney for Energy Michigan, a collective of competitive suppliers.

Mr. Schneidewind said alternative suppliers already collect sales tax and would be able to collect the proposed utility tax as well.

"Whether this is a good tax or a bad tax is up to the Legislature," Mr. Schneidewind said.

It was also unclear yet whether the new tax would mean a \$500 million increase in electric rates.

"One of our priorities is keeping our rates competitive," Mr. Holyfield said. He said it would depend how the bill was structured whether Consumers, or other providers, would pass the entire tax on to ratepayers.

Environmental groups praised the proposal for its possibility of cutting into the state's deficit, which they have said will hamper the Department of Environmental Quality's ability to review and enforce permits. But the groups said the plan needed to include requirements that utilities focus on renewable and clean energy sources as they work to meet demand.

"As with any major policy change of this nature, there are plenty of pitfalls if this is not carefully designed," said Martin Kushler, director of the utilities program for the American Council for an Energy Efficient Economy. "However, if the approach contains good regulatory protection for consumers, along with the incorporation of strong utility-funded energy efficiency programs, then a well-designed re-regulation of our electric system could be good for ratepayers and the environment."

"If crafted carefully, Mr. Dillon's plan could help solve our immediate budget crisis, and take forward-thinking steps to reduce our dependence on dirty, dangerous, expensive fuels like coal," said David Gard of the Michigan Environmental Council. "On the other hand, if this is just a way to allow the utilities to build a bunch of expensive and polluting power plants, then the proposal will be vigorously opposed. The devil, as it always is, will be in the details."