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Cox: Palisades Sale Hurts Customers

Attorney General Mike **COX** said today that a proposed sale of a southwest Michigan power plant is a bad deal for consumers because it gets rid of state oversight of the plant.

Consumers Energy is proposing to sell the Palisades Nuclear Power plant in Covert to energy wholesaler Entergy Nuclear Palisades for \$380 million.

The Palisades plant provides Consumers with roughly 18 percent of its energy needs. Consumers owns the plant, but does not operate the plant single handedly. Consumers is part of the Nuclear Management Companies, which was a group of five companies that actually operate the plant.

In the past couple years, two of the five Nuclear Management Companies members decided not to continue on with Palisades management. A third company has recently made the same decision and in order to continue operating the plant at a reasonable cost, Consumers decided to sell the plant, said Consumers Spokesman Jeff **HOLYFIELD**.

Part of the sale agreement includes a 15-year commitment with Entergy and Consumers. Entergy will supply Consumers the power that it needs at a set rate for 15 years. Consumers estimates that this agreement will save consumers \$199 million because Entergy will pick up infrastructure costs.

The Michigan Public Service Commission (MPSC) will hold hearings about the sale this week. The MPSC is only going to approve the conditions of the 15-year power contract that Consumers and Entergy Nuclear Palisades has agreed to.

Cox has many concerns about the proposed sale. His first concern is that the sale would result in a net profit of \$375 million to Consumers while energy customers would only get \$5 million from the sale.

Holyfield said consumers will actually end up saving at least \$400 million from the deal. Of that \$400 million, \$199 million will be saved in infrastructure costs and \$200 million will be saved in decommissioning costs.

Consumers Energy bills customers for decommissioning costs. The decommissioning cost for a power plant is the cost of breaking down the plant once it's out of commission. This money goes into an escrow account and is retrieved when the facility is shut down.

If this deal goes through \$200 million will be taken out of Palisades' \$500 million decommission fund. Cox said this is wrong for two reasons. One, it will force consumers to pay more money for decommission when the plant shuts down in 2021. Two, it will give customers back money they've already paid.

"In essence they're just giving you back some of your own money," Cox said.

Cox called this part of the agreement a "phony deal."

Holyfield said this part of the deal actually saves consumers money. Palisades

recently got approved for a 20-year license renewal, which means the plant has 25 more years to operate. This extends the number of years Consumers can collect decommissioning costs so \$200 million in funds can go back to the consumer. In fact, a federal ruling might allow Palisades to return \$116 million more in decommission money, Holyfield said.

"There will be sufficient funds to decommission the plant," Holyfield said.

Holyfield said the \$400 million or more that customers save, could be refunded to customers, used to pay down debt, used to build a new power plant among other ideas. He's not sure exactly how the money will be used to benefit customers. That's something that will be worked out with the MPSC.

Cox said the deal will actually force consumers to pay \$62 million more for electricity.

"My experts conclude that ratepayers will pay at least \$62 million more for electricity for the next nine years than they otherwise would if the sale did not go through," Cox said.

Holyfield said Consumers Energy is rather perplexed as to why Cox is raising dust about the deal and does not know where the \$62 million figure came from.

Cox also said Consumers wants the deal approved by May 1, which is too soon.

Holyfield disagrees. Consumers announced its intentions to sell the plant last spring and then came out with a proposal in August 2006.

"We've been talking about it for nearly a year and we've had all sorts of documents and filings before the MPSC," Holyfield said. "In our opinion, that's more than adequate time for review of a power contract."

The MPSC will hear testimony on the conditions of the power contract this week and next week.

"I will make every effort to persuade the Public Service Commission to reject this application," Cox said. "Ratepayers will pay more money up front for the cost of electricity, the power sale contains an escape clause for Entergy Palisades that could void any savings to customers, the state loses its ability to regulate costs and any savings or refunds could easily be eaten up by the costs of cleaning up the site of the nuclear power plant when it is decommissioned. For all these reasons and more, the PSC should not approve the sale of Palisades."

Holyfield said the MPSC will not lose control of the Palisades plant because it has to approve the conditions of the power contract.

Cox said that because Entergy is a wholesaler, it's exempt from MPSC oversight and could technically raise rates. Holyfield said Entergy would have set rates during the 15-year contract so even if Entergy costs went up, consumer costs would remain the same.

MPSC Spokeswoman Judy **PALNAU** couldn't say much about the deal because it's still being reviewed by the MPSC.

"This case is like any other on going case at the commission," Palnau said.
"Obviously, the commission, in it's decision, is always interested foremost in protecting customers."