

MIRS Capitol Capsule
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Energy Industry Waiting On Dillon For Details

The energy industry in the state has mixed emotions about House Speaker Andy **DILLON**'s (D-Redford Twp.) proposal to give utilities back their monopoly status in exchange for increasing their taxes, but no one will say too much until they get to see more details of Dillon's plan (See related story).

Dillon has announced that in exchange for higher taxes, he will repeal PA 141, which deregulated and broke down the state's utility monopolies in 2000, allowing more companies to penetrate the state utility markets.

One major concern for energy companies that only got into the state market after PA 141 was enacted is that, if Dillon gets his way, they'll be shoved out of the market because bigger companies such as Detroit Edison and Consumers Energy will once again be allowed to dominate the market.

"The cost for everyone will go up because you've removed the competitive alternative," said Terry **HARVILL**, vice president of government and regulatory affairs for Constellation NewEnergy. Constellation NewEnergy entered the Michigan markets in 2000 after PA 141 was passed.

Harvill's argument is based on the assertion that prices are driven down when you have more suppliers in a market.

Dillon's idea is that by changing or repealing PA 141, he'll be able to help stabilize the utility market. This will allow utility companies such as DTE and Consumers to get the financing they need to build new base load energy plants. As for the rates, Dillon didn't deny that costs may go up at some point, but he also pointed out that the Michigan Public Service Commission (MPSC) would have to approve any rate hikes.

"The Speaker may get his power plants built, but for the most part we will see some of the highest rates in the country," Harvill said.

The high rates will discourage high-tech companies and other companies from moving to Michigan, he said. This is contrary to Gov. Jennifer **GRANHOLM**'s State of the State address in which she said she wants to make Michigan a high-tech state.

"The Speaker's plan is 180 degrees from that," Harvill said. "I'm in shock here today after listening to what he said."

Acting on behalf of the Customer Choice Coalition, David **WAYMIRE** said Dillon's proposal would drive up rates and encourage companies to leave the state.

"The benefit of Public Act 141 and the competition in choice it has brought to Michigan are undeniable," Waymire said. "It has pulled down electrical costs for schools, grocers, manufacturers and retailers and for the first time in the last 20 years, thanks to Public Act 141, Michigan's residential electrical grades are below the Midwest average. Why would we support remonopolizing this industry and ending competitive choice in the free market?"

The big utilities, Consumers Energy in particular, have a different take on the issue. Like Havill, Jeff **HOLYFIELD** with Consumers Energy said he wants to see the details of the plan before making a judgment. However, it appears that Consumers would agree with changing or repealing PA 141.

"We're like everybody else. We don't have any details at this point," Holyfield said. "We just got the information yesterday and will be evaluating it. Just about everybody else has more questions than answers."

Changing PA 141 would help the utilities make the decision to finance a new base load plant because it would ensure that enough customers would use the base. The 21st Century Energy Report indicated that the state would need one new plant by 2015 and nine other plants in the subsequent decade.

The companies are hesitant to finance these plants because they fear that their customer base will decrease when they make the investment. Financial institutions do not want to lend that much money to a company if the company can't guarantee that the customer base will not decline.

"When lenders loan that kind of money, they want a high degree of certainty that they have a base of customers to cover the cost of that plant," Holyfield said.

Without PA 141, there would be fewer alternative suppliers, guaranteeing a certain customer base.

Holyfield said his company does have a concern about how the move would affect customer rates and if they would remain competitive.