

MIRS Capitol Capsule, Monday, May 22, 2006

Electric Companies To See State Regulation?

Rep. Mike **NOFS** (R-Battle Creek) is preparing to work with the Michigan Public Service Commission (MPSC) to develop legislation that would require the state's electric companies to get MPSC approval before the company is involved in any sales, mergers or acquisitions.

In the 1930s the federal government opted to control this industry to prevent electric companies from buyers, mergers and loans that could increase customer rates. The act recently expired with the assurance that states would continue to control this industry, said MPSC Peter **LARK** when he testified before Nofs' committee last week.

Michigan is one of three states that don't have legislation in place allowing a board, which would operate under the MPSC, to oversee these business deals.

Some states regulate telecommunications and water as well as electric but Nofs said he's only interested in looking at formulating legislation that would regulate electric.

"Regulation of the electric industry has been good for Michigan," Nofs said. "That's why electric rates are good in Michigan compared to other states."

Association of Business Advocating Tariff Equity (ABATE) is concerned about the affect the proposal would have on consumer rates, but didn't state a position on the bills.

"We think the elimination of the Public Utility Holding Act, which major utilities supported at the federal level, raises some questions," said Dave **WAYMIRE**, who represents ABATE.

Michigan's telecommunications industry was recently deregulated so regulating the industry would be counterintuitive, Nofs said. Besides, there's enough choice among the telecommunication providers in the state that competition regulates that industry said, Nofs said.

Water, to some degree, also sees competition, which helps with regulation, Nofs said. Electric and gas does not, Nofs continued. In order to produce an electric plant it costs at least \$2 billion, which is a startup cost most companies don't jump at, Nofs said.

Because it's so expensive to start an electric company, very few exist in the state so competition is scare and regulation is necessary, Nofs said.

Consumers Energy didn't comment on the proposal and DTE Energy is reviewing the proposal and has yet to take an official position.

Nofs said he plans on putting a group together to look at Lark's suggestion.