



Everything Michigan

Those controlling the electricity have the power

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GUEST COLUMNIST

Hats off to The Saginaw News for exploring in depth the problems facing Michigan manufacturers -- in this case, Hemlock Semiconductor -- when it comes to getting competitive electricity rates.

Many manufacturers pay more in electric bills than they do in tax bills. And while the state has been cutting the Single Business Tax over the last decade, moving Michigan closer to the regional average, our state's electricity rates have been increasing, and are the highest in the Midwest for manufacturers.

The difference between Michigan's rates and other Midwest states has been narrowing, however, thanks to a 2000 law that ended the old inefficient electric monopoly and allowed electric customers to choose who they buy power from.

But there is an effort afoot in Lansing that to turn back the clock and remonopolize our electric system. If that campaign by our two major utilities, Consumers Energy and Detroit Edison, is successful, rates will head back up -- and we can kiss companies like Hemlock Semiconductor and many more goodbye.

The Customer Choice Coalition is a group of electricity users, including manufacturers, retailers, schools, municipalities and residential customers, along with independent power producers, who believe competition is a vital tool to hold down electric rates.

Why are Michigan's electric rates so high today? Two reasons: the Midland nuclear plant, botched by Consumers Energy into a billion dollar boondoggle 20 years ago, and the Fermi II nuclear plant, similarly mismanaged by Detroit Edison from a proposed \$400 million plant into a \$4 billion dollar facility.

Michigan families and businesses -- and schools and local governments -- are still paying for those mistakes. During the 1970s and 1980s, when those plants were built, regulators had little alternative other than force customers to pay for the blunders of those monopolies.

In 2000, however, Michigan moved away from this old monopoly system, where poorly staffed government regulators jostled to hold costs down while multibillion dollar monopolies armed with teams of high-priced lawyers and accountants tried to jack up rates wherever possible. (We know who won that battle.) Instead, in a bipartisan compromise, Michigan decided to encourage anybody to build new electricity generation, and give customers the chance to shop for power. Meanwhile, the electric distribution system -- the lines that go to your home and business -- continues to be a regulated monopoly.

To get utilities to allow competition and choice, customers were forced to take over the debts of the uncompetitive Consumers and Detroit Edison plants. We have done so, and buried in your electric bill is a "securitization charge" that represents the fact that you are paying off the debts of these private companies.

In the meantime, independent power companies built new plants, and their operation during hot summer days has meant the difference between running the air conditioner or brown outs. Many electric customers have been able to choose to buy power from someone other than Consumers or Detroit Edison.

As customers left Consumers and Detroit Edison, they felt real pressure to hold down rates. They haven't liked that. So they are advocating in Lansing for an end to choice for customers and competition that holds down rates. They are saying they can't afford to build a new plant that may be needed in 10 to 20 years if they have to compete.

Such statements, of course, are nonsense. Michigan knows competition works. It works for gasoline stations, groceries, car companies and cell phones. Competition and free markets are the best way to bring products to customers in a reliable way for the lowest cost possible. And, in fact, Hemlock Semiconductor is facing competition itself as it tries to decide how to expand.

It's time for Consumers and Detroit Edison to stop complaining and start competing. The state Legislature shouldn't be going back to a monopoly system that helps guarantee profits no matter how poorly the two utilities are run by jacking up rates whenever the utilities ask for more money. Instead, we need to embrace choice, and move even further to ensure that competition decides who provides more energy to Michigan in the decades ahead.

If we don't, we will see more threats to our manufacturing economy as businesses leave Michigan to pursue lower electric rates.

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of the Customer Choice Coalition.

Learn more about the group at www.customerchoicecoalition.org.

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