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Editorial

State energy bill will hit consumers hard

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Michigan has no hope of returning to economic growth if it chokes off its energy supplies or makes electricity prohibitively expensive. That truth should guide lawmakers this week as they struggle to reach a compromise on a comprehensive energy plan for the state.

Gov. Jennifer Granholm and House Democrats are asking for an energy bill that, among other things, would mandate 10 percent of the state's electricity come from renewable sources -- wind, water, biofuels, etc. -- by 2015 along with a 5.5 percent requirement for reducing overall energy use.

The bill would end the subsidization of household electricity bills by industrial customers. And it would allow utility companies to overrun the cost of construction projects by 17.5 percent without returning to the public service commission for approval.

These measures promise to significantly boost the utility bills of Michigan residents.

The Republican-controlled Senate is pushing back on a number of the items, asking very good questions about the costs to consumers and the potential for the bill to expand both the size of the state bureaucracy and its reach into private homes and businesses.

Consumers are already guaranteed to be hit hard by the piece of the bill that would end subsidization of residential utility bills by commercial and industrial customers. That's been going on since utility deregulation in 2000, and once the subsidies end residential bills will jump 22 percent to 28 percent.

Both sides agree that it's necessary, and they're right. The high cost of electricity for businesses makes Michigan uncompetitive for new jobs and investment. Residents should pay the fair cost of the energy they use.

But that ought to be enough of a pocketbook hit. And yet the House version would pile on additional requirements bound to further increase the monthly bill.

The requirement for 10 percent of electricity from renewable sources within seven years will cost an estimated \$10 billion, paid for by consumers. Granholm argues that the cost will be offset by 60,000 or more new jobs created by the mandate, an estimate that still awaits verification. But even if the number is real, the jobs will be paid for by electricity users through higher rates.

And if utilities can't hit that 10 percent mark, they'll be forced to curtail energy production from traditional sources, limiting Michigan's ability to expand its economy.

The Senate is offering a 7 percent renewable energy mandate and is demanding that the cost of the program be detailed on a customer's monthly bill.

In addition, all electricity customers will have to pay a monthly surcharge that the state will use to help them reduce their energy consumption. The amount proposed is 48 cents a month for residential customers and between \$198 and \$600 a month for business customers.

Commercial and industrial users will have to submit a conservation plan to their utility company detailing how they will reduce energy consumption. The compliance costs will be enormous. Residential customers will be offered an array of education and other programs.

The amount of the surcharge is not as egregious as the fact that the money will be used to fuel a new energy bureaucracy that will insert itself into private homes and businesses.

The Senate is asking that the surcharge be tax deductible and that businesses that are already aggressively engaged in conservation programs be allowed to opt out.

Even with the fixes demanded by the Senate, this bill will be hugely expensive for consumers.

If it passes without major revisions to lower its cost and potential to disrupt energy supplies, the bill can be expected to kill jobs, not create them.