

To: Michigan lawmakers

From: Customer Choice Coalition

Re: Passage of massive electric rate hikes on Michigan businesses and families

Date: Sept. 18, 2008



In a few hours, you will be asked to vote to raise electric rates on Michigan by billions of dollars. Taken together, SB 213 and HB 5524 implement the largest residential electric rate increase in Michigan history. You will not have a fiscal analysis of the cost of the bills in front of you. You will not have an opportunity to review the bills with your constituents.

For this reason alone, you should vote no on these bills, and ask for them to be held over until you have the information you would require before you decided to build an addition to your house or buy a new car. After all, your vote on this matter will determine our state's electric bills – and its business climate – for decades to come.

As you prepare to take this vote, some facts are becoming clear:

- **Michigan is seeing a reduction in electricity use.** Both major utilities have reported they will be providing less electricity this year than last, and DTE has said it expects to send out even less electricity in 2009 than in 2007. This means the 21st Century Energy Plan, based on utility predictions of annual increases of 1.2 percent in electric use throughout this decade, is fatally flawed. It cannot be used to justify passage of these bills. No facts exist that would suggest we need to act now or face huge electric bills from imported power in the future.
- **Cost overruns continue to be the standard when our two major utilities engage in even modest projects.** It is well known that when these two for-profit companies had a monopoly in the 1970s and 1980s, they built massive new plants that were billions of dollars over budget and years behind schedule. Just this year, the two companies have gone hundreds of millions of dollars over budget in implementing basic computer systems. DTE, for instance, initially estimated its computer upgrade would cost \$150 million to \$175 million; actually cost: \$383 million. As a result of these mistakes, our electric rates continue to be the highest in the Midwest. These bills raise those rates; we should be cutting them.
- **The latest version of HB 5524 encourages even more cost overruns, automatically giving utilities a 17.5 percent overrun above the cost of new plants approved by the Michigan Public Service Commission.** Lawmakers have expressed concern about state departments running over budget by a few million dollars; this would provide for automatic approval of billions in overruns by the utilities. If cost overruns are appropriate for one business, we should provide them for all government contractors.
- **We won't be seeing any new renewable energy soon under this package.** Using the definitions of renewable power in the bill, Consumers Energy already has at least 4 percent renewable power on line today. Detroit Edison has about 2.5 percent.

Although there are new requirements for “renewable energy capacity portfolios” for both utilities, the remaining portion of the 10% target can be met through the purchase of credits

that are available today and the interim benchmarks are insufficient to encourage new generation.

However, the bills require customers to begin paying millions of dollars to the utilities starting in 2009 through a special renewable energy tax on bills, creating a utility slush fund.

- Included in this package are provisions that will allow utilities to raise natural gas and electric rates before the Michigan Public Service Commission issues a ruling. This creates, in effect, deregulated monopolies, putting customers at the mercy of these two huge companies. If these provisions had been in place last year, we would have electric and natural gas rates that are more than \$800 million above current rates. Former Michigan Public Service Commissioners appointed by Governors Milliken, Blanchard and Engler have all expressed opposition to these limits on customer protection.
- Many private companies are ready to build new electric generation in Michigan. It has been known for some time that LS Power and M&M Power are moving toward building new baseload plants. There are also many renewable power providers ready to build in the state. The only thing preventing this additional investment is the refusal of our two major utilities to accept lower priced power from these entrepreneurs. Instead, to benefit their shareholders, the two major utilities are insisting that they alone be allowed to provide new baseload power and they be given exclusive control over at least 50 percent of renewable power in the state – regardless of price.

The Customer Choice Coalition has proposed positive reform legislation that would allow development of new power in the state and create more affordable renewable power than these bills will provide. Those bills have never received legislative hearings. You have options before you that will meet our state's future electricity needs at far lower costs to customers than the electric package you are being forced to vote on today. Please vote no on HB 5524 and SB 213, and begin looking for a more rational, cost effective way that you will be proud to explain to your constituents.