MUSKEGON LAKESHORE
CHAMBER OF COMMERCE

MEMORANDUM

TO: Muskegon Lakeshore Chamber of Commerce Board of Directors
FROM: Government Affairs Committee
DATE: July 17, 2014
SUBJECT: Muskegon Lakeshore Chamber Michigan Energy Policy Position

The following statement related to the Muskegon Lakeshore Chamber Michigan Energy Policy Position is being submitted by the MLCC Government Affairs committee to the MLCC board for approval.

Recommended By:

Passed by the MLCC Government Affairs Committee – June 15, 2012
Passed by the MLCC Board of Directors – June 21, 2012
Revised by the MLCC Government Affairs Committee - July 2014

Proposed Position & Recommendation:

The Muskegon Lakeshore Chamber supports thoughtful and sustainable efforts to reduce the cost of energy and protect the environment while retaining Michigan companies and encouraging the expansion and attraction of new businesses.

The Muskegon Lakeshore Chamber supports an expanded electric choice program, renewable portfolio standards and energy efficiency programs that are achievable, affordable and will not adversely impact the competitiveness of Michigan businesses.

Since energy efficiency is the most cost effective way of reducing the need for additional generating capacity, the Muskegon Lakeshore Chamber encourages local companies to develop and implement their own energy efficiency programs with the greatest cost/benefit.

Rationale:

Michigan's electric choice program was established under Public Act 141 of 2000. Between 2000 and 2008, Michigan's electric choice program saved Michigan businesses hundreds of millions of dollars and resulted in the building of 4,000 megawatts of new generating capacity in the state. During the same period, Michigan's rates became more competitive with neighboring Great Lakes states and nationally. The utilities were very generously and continually compensated for the move to open electric competition (see Background section below). Since the enactment of PA 286 of 2008, which limited electric choice to 10%, Michigan's rates have increased 30% and are now the highest in the Midwest region and higher than the national average. Despite the utilities' statements in 2008 that they needed the 10% cap on electric choice in order to build new generation, there have been no new power plants built and proposed utility projects have been cancelled. Meanwhile, all Michigan rate payers continue to make substantial compensation payments to the utilities under the original electric choice laws of 2000 (PA 141 and PA 142).

The 10% cap should be raised or eliminated because it picks "winners and losers" among Michigan businesses. The 10% who are in the "choice" program enjoy energy cost savings while those who are frozen out by the cap are paying substantially more for electricity while still making monthly compensation payments under the original electric choice law. Utility statements about significant cost increased for customers if choice is increased are unsubstantiated. Energy costs are now a serious threat to Michigan's competitiveness both regionally and nationally. Electric competition is needed to reduce Michigan's energy costs.

Background:

In June of 2000, the Michigan Legislature enacted the Customer Choice & Electric Reliability Act of 2000 (PA 141 of 2000) which opened up the competitive marketplace for electricity in Michigan. In return for supporting a competitive market, Michigan's major publicly-owned utilities (DTE Energy and Consumers Energy) were provided with two compensating devices to help them adjust to competition. First, the utilities were awarded $163 million in net stranded costs. Second, under PA 142 of 2000, the utilities were allowed to "securitize" $1.2 billion in assets through 15-year bonds paid for by all rate payers. Additionally, they received continuing "true ups" through an Energy Choice Incentive Mechanism (ECIM) in their MPSC tariffs.

In 2008, the Michigan legislature considered and enacted two major pieces of energy legislation. First, it enacted PA 295 which established a statewide "renewable portfolio standard" for electrical energy generation (4% by 2012 and 10% by 2015) and "energy efficiency" standards for electricity and natural gas. Second, it enacted PA 286 of 2008 which limited "electric choice" to only 10% of the market, provided for interims utility rate increases 6 months after the filing date of a general rate case at the MPSC, established a Certificate of Necessity for new power plants and provided for moving to true "cost of service" rates for each class of customer (residential, commercial, industrial).

In its February 2008, the Muskegon Lakeshore Chamber of Commerce endorsed and supported an energy policy consistent with that of the Grand Rapids Area Chamber of Commerce with regard both of these legislative proposals. With regard to PA 295, the policy supported the diversification of Michigan's energy portfolio with renewables through voluntary measures and incentives; not government mandated renewable portfolio standards. It also supported voluntary energy efficiency measures as a means to reduce costs and reduce consumption thereby reducing the need for new generation. With regard to PA 286, the policy opposed limiting the electric choice program established under PA 141 of 2000, supported moving to true "cost of service" rates and building new electric base load generation pending a finding of necessity, due consideration of renewable energy & energy efficiency technologies and lowest cost through a competitive bidding process.

The Muskegon Lakeshore Chamber of Commerce added to the Grand Rapids Area Chamber policy recommendations by also encouraging "distributed generation" and net metering to permit businesses to generate and sell excess power into the grid.

The major utilities have made various arguments against raising the 10% cap on the electric choice program. First, it was to build new plants---which never materialized. More recently, it has been alleged that rates would increase for all customers if the cap were raised. This is also not substantiated by the facts. In sworn testimony before the MPSC using the utilities' own data filed with the Commission, it was demonstrated that raising the cap will have little or no effect on existing customers. This testimony remains uncontested.