

Gongwer News Service
Saturday, June 28, 2008

ENERGY BILLS JOLT SENATE

Energy regulation legislation sparked and temporarily shorted out, but then was regenerated and passed during a late night session in the Senate on Friday.

Just before midnight the main bill in the package, HB 5524*, passed on a 21-14 voted. Less than an hour earlier it had failed on a 13-13 vote as most Senate Democrats refused to participate in the vote.

But in the final vote, nine Democrats joined with 12 Republicans to secure its passage.

The chamber barely passed a bill, SB 213*, calling for a 7 percent renewal portfolio standard by 2015, but Democrats said the measure will actually result in less electricity created by renewable methods because the 7 percent standard includes energy conservation and will only require that 4 percent of electricity is generated by renewable sources, less than the 5 percent standard now in place.

The Senate also passed a tax credit for consumers that purchase new, higher efficiency appliances, but Democrats complained that it would chop as much as another \$200 million from state coffers and was a bad signal to send when the state is cutting budgets.

Though substitutes and proposals on the energy package had floated in the Senate all day it was not until late in the afternoon that Senate leaders flipped the switch to on for action on the issue, though the chamber worked through most its budgets and other issues before turning to the energy question late in the evening.

The version of HB 5524 that passed the chamber retains the 10 percent on electric choice from alternative providers (amendments to bump that up to 20 percent or 15 percent failed).

It deleted earlier language that required a Public Service Commission chair report to the governor.

The bill still requires the state's main utilities to obtain a certificate of need for rate increases. But the bill limits the estimated amount of cost overruns on construction projects that would be considered prudent to no more than 10 percent (originally it would have allowed cost overruns of up to 25 percent)

In terms of deskewing rates, the bill now uses a five year phase-out (as the House approved) and then establishes a 10-year period to implement the rate increase on residents.

The bill was blasted by critics who charged that it would drive costs up on residents by allowing utilities DTE Energy and Consumers Energy to re-monopolize the electric system in the state.

Critics especially scorned the limits on electric competition in the bill.

But Sen. Bruce Patterson (R-Canton), chair of the Energy Policy and Public Utilities Committee, blasted the bill's critics saying they did not understand the true structure of utility regulation. If supporters of competition were courageous enough to back complete deregulation of utilities; eliminating the

concept of an obligation to serve which is a primary element of utility regulation, then the cost of a kilowatt hour of electricity would increase from about 8-cents to at least \$70.

When it was blazing hot during the summer, not only would individuals "be toasty (because they could not afford to run air conditioning) they couldn't run their toasters," Mr. Patterson said. The measure was not a perfect bill, but it was a good bill.

The House had not received the bills when it adjourned, but House Speaker Andy Dillon (D-Redford Twp.) said it was important for the Senate to move on such important public policy.

However, he said the RPS and energy efficiency standards in the Senate version are "nowhere near acceptable," and will not likely find support in the House or with the governor.

Supporters have said the legislation is needed to help generate new baseload electric generation to spur the state's economy, but critics have called it little more than both an economic and power power grab by the state's two largest utilities.

On SB 213, Democrats blasted the measure as a pathetic response to the call to boost alternative energy generation. Governor Jennifer Granholm had called for the state to get 25 percent of its power from alternative sources by 2025. Sen. Liz Brater (D-Ann Arbor) called it "paltry, exceedingly weak. Can we set our standards any lower?"

But Sen. Patricia Birkholz (R-Saugatuck) said trying to enact a renewable portfolio standard on the line that either Ms. Granholm proposed or the House passed could cost customers across the state as much as \$6 billion to \$8 billion a year.