

MIRS Newsletter

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Senate Zaps RPS Down To 7%

Michigan would need to get 7 percent of its energy from environmentally friendly sources by 2015 under a Senate energy reform package pushed out of the upper chamber 20-17 late tonight by a unified Republican caucus.

The change not only knocks down the 10 percent renewable portfolio standard (RPS) passed by the House and supported by the Governor, but allows out-of-state alternative energy, "clean coal" and energy efficiencies to be counted in the goal to the protest of the minority Democrats.

"Moving to 7 percent is rather disappointing," said Sen. Liz BRATER (D-Ann Arbor). "It's paltry. It's exceedingly weak. Can we set our standards any lower?"

But Sen. Patty BIRKHOLZ (R-Saugtauck) said setting a RPS goal any higher would hit consumers to the tune of \$275 million, in part because Michigan's transmission system isn't prepared to handle any new generation.

"It would be a difficult pill for consumers to swallow," she said.

House Speaker Andy DILLON (D-Redford Twp.) said he viewed today's action as "progress" despite the changes.

"Progress was made by the fact that it came out of the Senate," Dillon said. "Yes, they made changes to the RPS and the Governor wouldn't sign it as is, but the fact that the bills moved is a good sign. I believe we'll have a deal done in short order."

The word on the House floor Friday afternoon was that moving the energy package would be the last thing the Senate did before breaking. There was never talk about the House taking up the bills, however at one point near midnight there were rumors about House and Senate negotiations.

In passing the package the Senate Republican caucus also opted to not to make wholesale changes to legislation that rolls back the state's electric competition law by limiting non-incumbent providers to only 10 percent of the market. That irked roughly half of the GOP caucus, which believed the bill "re-monopolized" the state's energy market.

A "pro-choice" segment of the Republican caucus favored raising or removing the cap on competition called for in the House version of HB 5524. Birkholz proposed an amendment that raised the cap from 10 to 20 percent, but it failed, 10-23.

While minor changes were made to the electric choice portion of the package, the Senate ended up embracing the meat of the House-passed version that is supported by DTE Energy, Consumers and a business/consumer coalition that includes the Michigan Chamber of Commerce.

Senate Energy Policy Committee Chair Bruce PATTERSON (R-Canton) led the charge for HB 5524 by slamming the concept that electric choice, by definition, will lower how much consumers pay for electricity and that capping choice at 10 percent is somehow hurtful to consumers.

Rather, Patterson said anyone who supports choice should also embrace complete choice in Michigan's electric market as opposed to its current hybrid-like system. A completely deregulated market would be a disaster, he said, causing customers' electric bills to soar into the \$700 range a month.

"(Customers) will be toasting because they can't afford to turn on their air conditioner. For that matter, they won't be able to use their toaster," Patterson said.

"They can suffer in the heat or cook over a bonfire, but they're not going to get electricity pushed through that wire."

Attorney General Mike COX and competitive energy companies oppose these changes to P.A. 141, the electric choice law on the grounds that the changes are an end-around to returning Michigan to a regulated monopoly. But Consumers and DTE have pushed for a guaranteed hunk of the market so they can be assured that if they invest in expensive new power plants they will be able to recover the costs from its customers.

Each side claims the other side's position will cost customers money.

Sen. Gerald VAN WOERKOM (R-Norton Shores) said competition is the only thing that keeps the incumbent utilities efficient and cost-effective. He questioned Patterson's \$700 electric bill theory and said that his West Michigan constituents would never pay such ridiculous prices and that they would "find other ways" to get by.

The Senate's version of HB 5524 allows companies currently using choice to be allowed to use choice in new locations without that use counting against an alternate supplier on the 10 percent cap. The bill also lowers the percentage of acceptable cost overruns from 25 to 10 percent.

Birkholz tried to raise the cap to 20 percent or 15 percent, but amendments that represented both ideas were defeated, 10-23.

Like the House, the Senate version phases out over five years the extra percentage business pays in its electric bills to subsidize homeowners, but the Senate allows utilities to issue revenue bonds to make up for any revenue shortfall caused by the transition.

The Senate ended up needing to take two votes on HB 5524 because Senate Democrats withheld needed "yes" votes until some of the language was changed. Ultimately, the bill passed 21-14.

On the other piece of package, the Senate Republicans blended together the House's RPS standards and energy efficiency program into a watered-down version that Republicans said would save customers' wallets in the short term but Democrats said would hurt customers in the long run.

SB 0213 mandates all energy providers to meet a 7 percent RPS by 2015 as long as it doesn't cause residential customers' bills to go up more than \$2 a month, business \$11.05 a month or industrial users \$125 a month. The House's limits were \$3 a month for customers. The Senate version also allows residents to write off any rate increases caused by renewable energy on their income tax.

"There is nothing bold about the RPS that is before us today," said Sen. Mike PRUSI (D-Ishpeming).

"Alternative energy companies aren't going to plunk down hundreds of thousands of dollars to come to Michigan with an RPS this weak and this timid."

The Senate's package also included SB 1048, which allows taxpayers to write off 10 percent of any energy efficient appliance or large purchase up to \$100 per person or \$200 per married household.

Democrats argue this was a tax give away. The Senate Fiscal Agency estimated the cost at \$90 million to \$120 million a year, which explained why Senate Appropriations Committee Chair Ron JELINEK (R-Three Oaks) joined Democrats in voting no. The bill passed, 20-17.