

## **MIRS Capitol Capsule**

### **January 29, 2008**

#### **Tonight's \$6 Billion Question**

Gov. Jennifer **GRANHOLM**'s State of the State Address tonight made alternative energy a prominent feature in the state's economic future, but her proposals left one large question looming: What will be required to secure a \$6 billion in pledged investment from the state's two largest utilities?

Michigan is naturally suited to becoming the North American home of the alternative energy industry, Granholm said, from the state's wind potential to the very power of the Great Lakes' currents. From Michigan's skilled workforce and available factory space to use of the Great Lakes as an excellent way to transport massive wind turbine engines and blades — Granholm sees this nascent industry as the means to replace Michigan lost manufacturing jobs.

"But for Michigan to win the race for those high-paying jobs, we have to out-hustle the competition," she said. "How?"

The administration is linking three issues working their way through the Legislature. The first is the percentage of power that must come from renewable energy sources (renewable portfolio standard or RPS). The second is energy efficiency legislation. The third is reform of Public Act 141, the state's so-called electric choice law.

On RPS, the Governor is calling for a stipulation that 10 percent of the state's electrical energy be derived from renewable sources by 2015— by 2025 that would rise to 25 percent.

The big question arising from tonight's SOS is what exactly are Consumers and DTE expecting in return for the promised \$6 billion investment? The two big utilities would like to return to a regulated, pre-PA 141 environment, but apparently are supportive of a House plan that locks in customers to one utility for a specific period of time.

"As soon as this Legislature acts on a comprehensive energy package, Consumers Energy and DTE will begin to jointly invest up to \$6 billion in Michigan — much of it on wind turbines and wind farms to produce electricity and to help businesses and homeowners install energy saving technologies," said Granholm. "\$6 billion. 17,000 jobs."

In briefings before the speech, aides to Granholm were non-committal on exactly what a "comprehensive energy package" meant.

Aides did agree that the Governor's comments meant the three issues are linked — something that the major utilities have been pushing and that

environmentalists have opposed. Leading up to tonight's State of the State, both the House and Senate had begun moving bills address all three issues (See "[Senate Discharges Renewable Bills](#)," 01/24/08 and "[Alternative Energy Bills Move](#)," 01/23/08).

Sen. Bruce **PATTERSON** (R-Canton), the chair of the Senate Energy Committee, said the Renewable Portfolio Standards (RPS) "doesn't have to be tie-barred" to reforming Public Act 141. That said, Patterson said, "I will not repeal 141 but I will revise it."

Senate Majority Leader Mike **BISHOP** (R-Rochester) said alternative energy was a key focus. But he cautioned against the Democratic House legislation on RPS, claiming it would result in an "\$8 billion tax on consumers."

In reaction to the reference, the Customer Choice Coalition (CCC) argued the governor's approach to the issue represents a "virtual tax increase." The CCC argues what the Governor didn't say in her speech is that Michigan ratepayers, not utility shareholders, will finance the new alternative energy production that the two incumbent utilities are proposing to build.

"When the state tells electric customers they must pay more to DTE and Consumers, it is effectively raising taxes on customers to benefit only those two corporate giants," said Barry **CARGILL**, executive director of the Customer Choice Coalition. "The only way the Governor's plan can work is if she takes away from customers their right to choose from alternative electric providers, and uses the power of the state to force customers to buy from the two major utilities only."

Other aspects of the governor's alternative energy proposal outlined tonight include:

- Removing the state's gasoline tax from fuel purchases of ethanol and bio-diesel fuels.
- Creating "Centers of Excellence" across the state to bring alternative energy companies and Michigan universities together to create new products and new jobs.
- Calling on the Legislature to enact tax incentives for anchor companies in the alternative energy sector to get their suppliers to also locate in Michigan.

On the anchor companies tax credit, Granholm and her aides point to Hemlock Semiconductor in Saginaw as an excellent example of the type of alternative energy "anchor company" that could attract suppliers and additional investments in Michigan.