

MIRS Capitol Capsule
February 21, 2008

ABATE Puts Energy Bills Cost At \$2.7B

Evolving legislation that further waters down Michigan's electric choice plan would cost Michigan ratepayers \$2.7 billion a year, a 39 percent overall rate increase for Consumers Energy and Detroit Edison customers, according to information the legislation's opponents are shopping around Lansing.

The Association of Businesses Advocating Tariff Equity (ABATE), a trade organization for large industrial electric customers, claims that the new power plant construction called for in the House's latest working proposal, combined with the cost of implementing proposed renewable portfolio standards (RPS) will stick customers with \$18 billion in capital costs.

But House Speaker Andy **DILLON** (D-Redford Twp.), who is in the center of crafting the bi-partisan plan with Rep. Mike **NOFS** (R-Battle Creek) and House Energy and Technology Committee Chair Frank **ACCAVITTI** (D-Eastpointe), said an ABATE official confessed to him that its numbers were "incomplete."

"It's premature to be throwing out any type of number at this point," said Dillon spokesman Greg **BIRD**. "Our focus is to create a policy that will create jobs and make Michigan the hub of alternative energy."

The ABATE numbers, which were shared with at least one key member of the Senate today, are based on the assumption that Detroit Edison will commit to building a \$6 billion nuclear power plant and Consumers Energy will build a \$1.5 billion coal-fired plant, both of which will be paid off through an 18 percent surcharge.

ABATE also estimated that requiring a certain percentage of Michigan's energy to come through alternative energy will cost ratepayers another \$6 billion that will be paid off through the same 18 percent surcharge. And even that investment, ABATE charges, will only get Michigan to an RPS of 6 percent by 2015. The proposed legislation calls for 10 percent by 2015.

Finally, the ABATE calculations assume the construction of a new \$540 million cross-state transmission line.

But Consumers Energy spokesman Jeff **HOLYFIELD** said the transmission line is only in the idea stage — a far cry from any formal proposal. He yanked on this loose thread to question the validity of the rest of ABATE's numbers.

While conceding that the construction of power plants will cost ratepayers money, Holyfield pointed to the 21st Century Energy Plan put together by former Public Service Commission Chair Peter **LARK**, which said Michigan customers are going to pay \$2 billion more a year if utilities can't meet their customers' needs, as is projected, and are

forced to buy electricity on the open market.

Not investing in new baseload power plants puts Michigan at risk in the not-so-distant future, he said.

"The whole issue is over how much risk you want to expose customers to by requiring the utilities to shop on the open market," Holyfield said. "Customers are going to pay."

ABATE Spokesman Dave **WAYMIRE** said the numbers prove that Dillon's legislation is nothing more than a sop to the state's incumbent utilities, which have given hundreds of thousands of dollars over the years to candidates and their caucuses through their employee-based political action committees (PAC).

"We believe that there is little chance the Michigan legislature will vote for the \$2.7 billion in annual rate increases this will impose on Michigan customers, regardless of how much PAC money is spread around," Waymire said.

Since at least 2000, DTE has had the state's second-largest corporate PAC, giving primarily to the campaign committees of those caucuses in charge of the House and Senate at that particular point in time. Meanwhile, *MIRS* could not find a single political contribution given by a competitive energy company.

In 2007, for example, DTE, along with at least 20 other PACs (five corporate) gave the House Democratic Fund the maximum \$20,000 donation, campaign finance records show. DTE was the fourth largest contributor to Dillon's Leadership Fund for 2007.

DTE's PAC was the state's 18th largest in 2006, which DTE State Government Affairs Director Nancy **MOODY** said is a reflection of its employees' belief in the importance of the Michigan political process.

"As a Michigan headquartered company with a long history in this state, we are proud to be able to participate with such a strong voice," Moody said. "Companies new to Michigan or those based in other states may not have the same kind of roots or employee base that companies like DTE Energy are privileged to have. Whether this offers us an advantage is up to others to determine."

Senate Energy Policy Committee Chair Bruce **PATTERSON** (R-Canton) said he makes it clear that anyone who believes they're going to get a particular outcome based on a political contribution is sadly mistaken. While various interest groups give to the campaigns of those with some influence over their area of concern, he said he's confident that many of the lawmakers he associates with don't make a direct correlation between a vote and a donation.

Dillon, he said, is one of those.

"I don't think you can buy Andy Dillon," Patterson said. "I would be shocked and disappointed to find out if such a notion was true."