



## **Businesses flinch at Mich. electricity prices**

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Utility costs could cause some firms to move from state

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Michigan's utility costs are higher than surrounding states and slightly above the national average for industrial customers, a factor that could cause some businesses to rethink whether they want to stay in Michigan.

While natural gas rates are relatively low, electricity rates are a concern for some industrial and commercial businesses, according to an April poll of 558 businesses conducted by Lansing-based EPIC-MRA.

Twenty-eight percent said utility costs were their most difficult costs to pay, ahead of taxes, worker's compensation and other items. Only insurance, pushed up by rising health care premiums, ranked higher than electricity and gas among businesses polled.

"That's really a concern for industrial customers in Michigan when they look at whether they want to expand or stay in Michigan," says former Michigan Public Service Commission member **Robert Nelson**, who now deals with energy and telecommunications issues at the Lansing law office of **Fraser** Trebilcock Davis & Dunlap.

"It probably has something to do with why some of these industrial users are leaving the state."

### **Zapped by high rates**

According to the federal Energy Information Administration, the average cost of electricity in April for industrial customers among five Upper Midwestern states - Michigan, Illinois, Indiana, Ohio and Wisconsin - was 5.18 cents per kilowatt hour. Illinois and Indiana's costs were less than 5 cents per kwh, while Michigan topped the list at 5.90 cents. That compared to a national average of 5.76 cents.

Gov. Jennifer Granholm knows the electric rates in surrounding states are lower for industrial customers. But she says some states' rates have been held down artificially by price freezes set to expire. Illinois customers, for instance, could see their prices rise 35 percent when a freeze expires at the end of the year.

The Democratic governor also notes that, among 10 major industrial states, Michigan in 2005 had the second-lowest natural gas rates - in part because the state has a lot of storage capacity - and the fourth-lowest electric rates when it came to industrial customers, according to the EIA.

"Thirty-five percent of all manufacturing is done in states with higher gas and electric rates," she says. She adds that the Michigan Public Service Commission has trimmed the size of the rate increases requested by the utilities.

### **Importer of resources**

Consumers Energy Co. spokesman Dan Bishop says the utility's rates are below the national average, even though power generation is more expensive in Michigan because the state imports coal, oil and natural gas to power its plants.

Still, Republican gubernatorial candidate Dick DeVos says Michigan needs to lower energy costs in Michigan to make it more attractive to businesses.

"What we see is that we do have high costs," he says. "Electricity is simply too expensive for Michigan job providers."

DeVos pledges to encourage the building of more transmission lines so more power can be brought into the state and carried within it; to pursue wind and solar power; and to invest in alternative fuels such as ethanol, biodiesel and biomass, a promise Granholm also has made.

### **BWL gives GM a break**

Major customers usually get a break on rates, something that has helped General Motors Corp. with its new assembly plant in Delta Township near Lansing. Lansing Board of Water & Light spokesman Mark Nixon says the automaker pays an average of 4.93 cents per kwh.

A freeze on Michigan electric rates expired at the end of 2003 for industrial customers, at the end of 2004 for commercial customers and at the end of 2005 for residential customers; all saw increases when the freezes were lifted. But Granholm says no big rate increase is on the horizon.

The EIA as of April ranked Michigan 26th highest nationally in electric rates for all classes of customers: residential, commercial and industrial. Michigan's average electric rate of 8.02 cents per kwh is lower than the national average of 8.39 cents.

Michigan also faces the need for a new power plant sometime in the next decade, and the cost of building it could push up rates.

In April, Granholm issued an executive directive requiring Public Service Commission Chairman Peter Lark to develop a comprehensive energy plan by year's end.

The MPSC report also is expected to encourage the use of new technologies. It also will explore ways to help the alternative energy industry grow in Michigan and require that a certain percentage of the state's energy supply come from renewable resources.

Michigan now gets about 55 percent of its power from coal-burning plants, with the rest mostly from nuclear power plants and gas- and oil-fired power plants. A small amount is from hydroelectric plants and from renewable energy sources such as wind power.