

Bills would allow more customers to buy electricity from cheaper sources; 547 on waiting list to buy power from someone other than Consumers

By Chris Gautz | Jackson Citizen Patriot

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A bipartisan group of state lawmakers aims to weaken the "monopoly" large utilities enjoy so more businesses and schools can purchase electricity from cheaper sources.

A component of the energy reform law signed in 2008 restricts competition to 10 percent of the sales of the state's two largest utilities: Consumers Energy and Detroit Edison.

When the law was enacted, 3 percent of Consumers' customers were buying from alternative providers. Ten months later, it hit the 10-percent cap.

Today, there are 547 customers on a waiting list to buy power from someone other than Consumers, but they are barred from doing so by the 2008 law.

"The evidence is overwhelming that this legislation has been a failure for Michigan," said David Waymire, spokesman for the Customer Choice Coalition. "Utilities have used the law, which they largely wrote, to raise electric rates."

The coalition advocates for a group of businesses and organizations that use choice and encourage competition.

Bills were introduced last week by a dozen House lawmakers and nine senators that would raise the cap from 10 percent to 25 percent.

"This is a fairly modest change," Waymire said.

The Jackson-based utility does not agree.

"We are strongly opposed," Consumers spokesman Jeff Holyfield said. "Short-term market conditions shouldn't be used as an excuse to reopen a comprehensive law that's barely a year-and-a-half old and took nearly two years to develop."

Waymire said customers were told rates would go down when the law was approved, but the average residential rate has gone up 10 percent since October 2008, according to data from the Michigan Public Service Commission.

Holyfield said utility officials made it clear from the outset that residential bills would increase because rates historically had been skewed by regulators so residents paid less than actual costs while businesses paid more. The new law brings residential rates up to the true cost over a five-year period.

While rates have gone up, data from the MPSC shows the average Consumers residential customer pays about \$5 less than the state average.

Holyfield said the law is functioning as it was designed to do and that the cap on competition is there to protect customers. A change to 25 percent would lead to a price spike for remaining customers, he said.

It would also reintroduce uncertainty into the market, and at the time, Consumers said a major reason for needing the new law was to ensure the utility retains the customer base it needs as it makes plans to build a new coal-fired generation plant. It also has plans to invest \$7 billion in the state in the next five years, and if the law is changed, that plan would have to be re-evaluated.

"It would discourage us from making major investments in the state," he said.