

Groups applaud bills expanding electric competition

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Chamber: Businesses forced to pay higher costs; cap must be raised

GRAND RAPIDS – The Grand Rapids Area Chamber of Commerce and the Customer Choice Coalition applaud Sen. Wayne Kuipers (R-Holland) and Rep. Roy Schmidt (D-Grand Rapids) for introducing legislation to open Michigan’s electric system to increased competition and ease the restrictions on choice that have led to higher rates since the re-regulation of the electric energy market in 2008.

The 2008 legislation limited competition to 10% of each utility’s load. That limit was hit in both utilities’ territory in 2009. The Michigan Public Service Commissioner reports long waiting lists of customers seeking to use alternative providers. Kuipers’ legislation will lift the cap to 25 percent.

“The ability to competitively purchase our energy has numerous benefits,” said Jeanne Englehart, president and CEO of the Grand Rapids Area Chamber of Commerce. “By eliminating competition, manufacturers cannot seek the best price for one of their most important manufacturing inputs. We fought PA 141 because we said our members would be hurt by this law and that’s exactly what is happening. Policymakers need to revisit this arbitrary cap on the electric market.”

“Electric rates have skyrocketed since Michigan eliminated competition in 2008, are the highest in the Midwest and, for the first time in years, are even higher than the national average,” said Barry Cargill, executive director of the Customer Choice Coalition. “The bipartisan sponsorship of these bills will begin reintroducing competition into the electric system, and help hold down rates that are crippling Michigan.”

“This compromise legislation will maintain the framework of the 2008 law, but give the free market a larger role in controlling prices,” said Sen. Kuipers. “Businesses and local governments in West Michigan have been telling me they want the ability to shop for power; this bill will expand their opportunities.”

“A constituent was able to show me firsthand how critical electricity rates are to businesses trying to keep costs contained and how important it is to have choice in the utility market place,” said Rep. Roy Schmidt. “The savings realized will allow some businesses to grow and add jobs, some to simply maintain their workforce and some to lower the costs of goods sold. This is good for Michigan businesses, workers and residents.”

By now it is apparent that the 2008 re-regulation of the electric market has been a failure:

- Manufacturers were told rates would decrease. Instead, according to the Energy Information Agency, Michigan industrial rates increased by 13.24 percent last year, compared to a decrease of 2.25 percent in the nation, as demand dropped. Michigan manufacturers now pay 25 percent more than their competitors in Indiana.
- Cities were led to believe they would benefit. Instead, many cities are being forced to use taxpayer dollars to hire lawyers and litigate before the Michigan Public Service Commission due to massive rate hikes despite reduced power use. Commercial rates charged to cash-strapped cities, schools and other governments increased

by 8.08 percent last year in Michigan, while they decreased 10.48 percent in the rest of the region.

- Overall, Michigan electric rates increased by 8.84% in 2009, and decreased by 0.12% in the region overall. Michigan's electric rates are the highest in the region across the board. In 2008, Michigan electric rates, while high for the region, were at least below the national average. By December 2009, according to the Energy Information Agency, Michigan's rates were even above the national average.

“Having the ability to choose your electric provider is not just a business issue. Electric choice has proven to be positive for customers like public schools,” said Andy Johnston, Director of Legislative Affairs for the Grand Rapids Area Chamber of Commerce. “With the highest unemployment rate in the nation and state funding for schools remaining flat, everyone is being forced to do more with less.

“Electric choice cost savings should be rewarded, not limited by the legislature. Members should contact their legislators and ask them to support Senator Kuipers' bill.”

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