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Customer Choice Coalition applauds House and Senate bills expanding electric competition

Only competition can curb huge rate hikes hurting Michigan families, businesses, governments

LANSING, Mich. – Sen. Wayne D. Kuipers, R-Holland, and Rep. Roy Schmidt, D-Grand Rapids, introduced legislation this week that would open Michigan’s electric system to increased competition, reducing the monopoly power utilities have been using to dramatically raise rates since passage of the state’s electric remonopolization act in 2008.

“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.”

The 2008 legislation limited competition to 10 percent of each utility’s load. That limit was reached in both utility’s territory in 2009. The Michigan Public Service Commission reports long waiting lists of customers seeking to escape the utilities’ massive rate hikes. Senate Bill 1317 and House Bill 6127 will raise the cap to 25 percent, allowing more customers to find alternative providers.

“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 the 2008 remonopolization law has been a failure:

- Residential customers were promised rates would increase by only 2.5 percent a year. Instead, in just 18 months DTE residential bills for average residential customers have increased 18 percent and Consumers Energy residential electric bills are up 10 percent – with the utility announcing it plans to “self-implement” another 5 percentage point increase this summer. No wonder both companies are seeing major increases in energy thefts, as struggling families are faced with massive increases in their electric bills.
- 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 – but 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 percent in 2009, and decreased by 0.12 percent 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.
- Lawmakers were told demand would require construction of new plants and create new jobs. Instead, we are now told that up to five existing plants will be closed, costing jobs in communities around the state, if a new plant is built. There will be no net new long-term jobs if any new plant is constructed.
- Environmentalists believed mandates for renewable power standards would lead to increases in wind and other alternative power producers. Instead, Michigan continues to lag the nation in renewable power production, and entrepreneurs are skipping our state because of the law’s requirements limiting the ability of companies to sell their power directly to customers. Instead, they are forced to sell power to the utilities, adding middle-man costs that drive up the ultimate cost to customers.

“The remonopolization legislation has been a disaster for Michigan. We are pleased Sen. Kuipers, Rep. Roy Schmidt and others in the Legislature realize it is time to bring competition and free markets back to our state,” Cargill said.

The Customer Choice Coalition is the only group that brings together customers of all sizes with competitive electric companies to support electric competition and choice. For more information visit www.stopthemonopoly.com or www.customerchoicecoalition.org.

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