

# 2010 U.P. Energy Summit

## Jobs and Energy Coalition – Review of 2008 Energy Laws & Chamber Policy on Off-Shore Wind

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## Who is the Michigan Jobs & Energy Coalition?

The Coalition is comprised of Michigan's major utilities, electric cooperatives and municipal electricity providers; major business organizations and industrial customers; labor organizations; economic development interests; renewable energy and energy efficiency advocates; and many others.

We invite you to visit the Michigan Jobs & Energy Coalition website at [michiganjobsandenergy.org](http://michiganjobsandenergy.org) to review our complete list of coalition members and to keep abreast of Coalition news.



## Michigan's Outlook Under Former Energy Law – PA 141 of 2000

- Michigan needed new power generation in the future to offset the retirement of aging plants and accommodate future growth. But under PA 141, Michigan faced major obstacles to investment, including:
  - All customers could choose service from the utility or an alternative supplier. Meanwhile, utilities were required by law to serve all customers in their service territory, even though PA 141's choice provisions meant utilities could not predict how much power generation (demand) would be needed at any point in time. Demand for utility power swung by thousands of megawatts between 2004 and 2008.
  - Under that scenario, financial markets were unwilling to make billion dollar investments with reasonable financing terms for new Michigan power generation
- Michigan had no public policy promoting development of a clean energy portfolio that included renewable energy and aggressive energy efficiency
- Michigan's skewed electric rates left business subsidizing residential rates

## Create laws to encourage new investment and jobs in Michigan

Preserve a measure of electric choice, but encourage development of new power generation by capping the choice program at 10% of annual electricity sales

Provide utilities greater predictability regarding the amount of power they will need to serve their customers

Attract investors for Michigan's multi-billion dollar energy supply projects in coal, renewables, and nuclear power, as well as in energy efficiency programs

Ensure that thousands of highly skilled and technical jobs will come to Michigan and not be sent out-of-state





## **Keep future energy prices lower than would be under PA 141**

Deregulation policies , like Michigan's PA 141 Electric Choice program, caused skyrocketing electric rates. In the deregulated states of Maryland, Illinois, Texas and Connecticut , electric rates rose between 50 and 200 percent in recent years.

In 2007, Virginia and Montana repealed deregulation laws. Montana's governor called its deregulation law an "unmitigated disaster."

The MPSC's 21<sup>st</sup> Century Energy Plan predicted that without change to PA 141, Michigan's utility customers would be exposed to as much as \$4 billion in higher costs.

Public Sector Consultants' research projected a minimum of \$5 billion of additional customer cost under the status quo due to greater reliance on competitive wholesale markets.

## **Encourage construction of new power plants inside the state's borders to help keep Michigan energy independent**

By removing obstacles to investment, Michigan can continue to rely on power from Michigan companies at prices regulated by the MPSC.

If new plants are not built in Michigan, customers have to rely increasingly on electricity at market prices from out-of-state suppliers outside of MPSC jurisdiction.

Because of its proximity to demand, in-state, local generation (with local jobs to match) is inherently more reliable than imported power from out-of-state generators.

As Michigan's power plants are retired (now the oldest fleet in the country) and as power demand continues to grow, Michigan would gradually move to defacto deregulated power pricing from the wholesale market.

## Develop renewable resources for jobs and clean air

Mandated 10 percent Renewable Portfolio Standard by 2015 with cost containments

✓ Cost capped at \$3/month/residential customer

Detroit Edison will invest around \$2 billion to build 500 to 600 wind turbines generating 1,200 MW

Consumers Energy will invest around \$1.2 billion to build 225 to 250 wind turbines generating a total of 450 MW

For both companies, reaching the mandated standards within the law's cost caps present stretch goals



## Move all electric energy rates to their true cost of service

An important component in the 2008 comprehensive energy legislation was the “deskewing” of electric rates.

Under PA 286, the MPSC was ordered to move all customer rates to true cost of service within five years, thus ending a 40-year policy whereby Michigan business subsidized and, therefore, kept artificially low, the cost of electricity for residential customers.

Removing the rate subsidy makes Michigan’s business climate more competitive, while the five-year phase-out protects residential customers from rate shock.





# Michigan Chamber of Commerce

## Policy on Great Lakes Wind Energy

- 1) Local Review
- 2) Cost Issues
- 3) Mandates
- 4) Great Lakes Protection



# Chamber Policy – Local Review

- The Michigan Chamber supports a permit process for siting of wind turbines in the Great Lakes that includes meaningful local input and participation. The views and concerns of local communities must be considered in the decision-making process.

However, final decision-making must rest with state government. Michigan cannot have a patchwork of rules and regulations related to energy development.

# Chamber Policy - Cost Issues

- The Michigan Chamber supports a permit process for siting wind turbines that includes a review and approval by the Public Service Commission. The Commission shall only approve projects where there is a demonstrated need and the projects are determined to be both reliable and affordable.

<u>Project Name</u>	<u>Location</u>	<u>Price</u>
Michigan Wind2	Sanilac County	9.4 cents per kWh 20 year fixed
Cape Wind	Nantucket Sound	18.7 cents per kWh 3.5% annual inc.

# Chamber Policy - Mandates

- The Michigan Chamber reaffirms support for cost-of-service rates for all customer classes, and opposes any further energy subsidies or mandates beyond those provided by Public Act 295 of 2008 that are paid by industrial and commercial customers related to the development of renewable energy.

The Chamber would oppose any effort through tariffs or mandates that would force utilities or industrial or commercial customers to purchase or pay for offshore wind that is not determined to be cost competitive.

# Chamber Policy – Great Lakes

- The Michigan Chamber reaffirms support for the protection of the Great Lakes. The Great Lakes are Michigan's greatest natural asset. The development of wind turbines on the Great Lakes should be done with great caution.

The permit approval process must take into account protection of wildlife, view sheds, fishing areas, harbors, and marinas. The permit process should also include requirements for strong, up-front financial performance instruments that protect the Great Lakes in case of unforeseen circumstances.



Thank you

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