

Top 10 Reasons Michigan Needs to Raise the Cap on Electric Competition

1. **Highest Rates in the Midwest:** After nearly three years of utility rate hikes, Michigan now has the highest electric rates in the Midwest, according to the U.S. Energy Information Agency, and now, for the first time ever, rates higher than the national average. This trend will only continue and worsen once the full effect of the most recent Consumers Energy and DTE rate increases are felt.

2. **Huge Rate Hikes since the Legislature Killed Competition:** Since implementation of the cap on electric competition in 2008, Consumers Energy has raised rates on Michigan customers by 30 percent; DTE is close behind. That's far faster than the rate of inflation, and comes at a time when Michigan's families, businesses and governments are struggling to make ends meet. Prior to instituting the cap and putting a restriction on electric competition, Michigan's rates were below the national average.

3. **Dramatic Rate Drops Nationally:** Michigan's significant electric rate increases are occurring while electric consumers in competitive markets have benefitted from a roughly 50 percent drop in wholesale electricity prices. Due to the cap on retail competition, 90 percent of Michigan consumers are being deprived of those dramatic electric price reductions.

4. **Energy Costs a Top Priority for Businesses:** Energy costs are among the top three cost drivers, behind only healthcare and labor, which Michigan businesses consider when deciding whether to expand, shrink or relocate. A recent poll by the *Michigan Manufacturers Association* shows that 73% of its polled members expect energy costs impacting their companies' performance in 2011, and that same poll shows that only 53% plan to expand their business in Michigan.

5. **Current Law Picks Winners and Losers:** Unequal access to competition makes some Michigan businesses more competitive against other Michigan businesses. Michigan's political leaders should not be in the position of picking winners and losers based on which businesses were lucky enough to get competitive electricity prior to imposition of the 10% cap. Increasing the cap not only would allow Michigan businesses to be able to better compete against other states, but would also allow for fair competition among businesses in Michigan and provide for the equitable treatment of multi-site businesses, some who were able to get their locations into the competitive market; some who did not.

6. **Hurting the Development of Competitively Priced Alternative Energy:** Today, entrepreneurs who wish to develop alternative energy sources and sell it to the many companies and other customers who are asking for green power cannot do so. They must instead sell their power to the utilities, who then add on costs and make green power more expensive than if it could be sold without the high-priced middleman.

7. **A Cap on Jobs:** the cap on competition is effectively a cap on employment and economic development. Forcing Michigan businesses to only buy higher-priced electric service from the

utilities makes them uncompetitive and has effectively placed a cap on job formation. All Michigan consumers should have the right to choose their electric supplier and limiting their choices does nothing to improve the condition of the state and is bad economic policy. Eliminating or raising the cap will make Michigan businesses more competitive, increasing employment and providing numerous benefits including increasing state income tax revenues and decreasing the unemployment insurance burden.

8. Voters Want to Shop for Power: A recent statewide poll showed 79 percent of Michigan residents said homeowners and businesses should be able to select their electric company, just as they choose their telecommunications and natural gas providers. Additionally, over 4,800 Michigan businesses and other customers – representing tens of thousands of jobs – are on waiting lists kept by DTE and Consumers to access electric choice. Those are strictly businesses with signed contracts with competitive suppliers; it's safe to say countless thousands more businesses have expressed strong demand for rate relief and a desire for a choice in their supplier.

9. Primary Reason For Passing Law Proven False: No New Power Plants Needed: When Michigan's energy law was being debated in 2008, and ultimately passed, the primary reason cited by DTE and CMS for capping competition at 10% was to provide Wall Street investors the assurance that they (the utilities) were financially secure enough to build new power plants by having a locked-in, captive customer base. Consumers Energy testified under oath before the PSC that there will be excess capacity in the Midwest – no new power plants built -- until at least 2026.

Additionally, it is not the 10% cap on competition, but rather the provision for a “certificate of necessity” in the current law that provides financial security for investment in new power plants. A “certificate of necessity” issued by the Michigan Public Service Commission guarantees the utility the recovery of its prudently incurred costs for new power plants.

10. The Cap is Increasing the Cost of Government in Michigan: State, regional and local governments and schools are paying millions of dollars more in energy bills than they would if they could shop for electricity. That's money that is taken away from classrooms, away from public safety, away from providing the quality services people want – and instead is being used to pay higher than necessary electric bills.

A Simple Fix: Passing legislation that eliminates or raises the 10% cap on electric competition is a simple way lawmakers can positively affect the lives of Michiganders. No one is proposing that any other aspect of Michigan's 2008 energy law be changed. In taking such action, the Governor and lawmakers would be champions of Michigan businesses and many other entities that are currently struggling with massive state budget cuts: local units of government, public schools, universities, nursing homes and hospitals. In fact, increasing the cap on retail competition would greatly benefit state government financially by providing tremendous savings in electricity costs to state facilities.

Raising the cap on competition is truly a “win-win” that requires no sacrifice by customers or government. This is an opportunity for state policy makers to easily help businesses and local units of government save jobs by spending less on their utility bills.