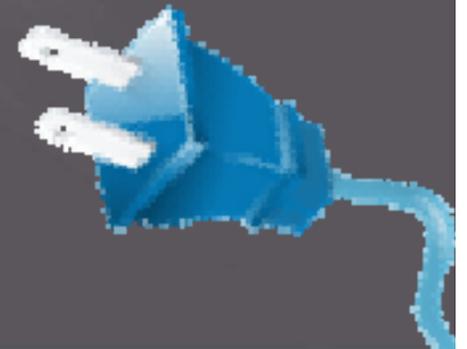




Department of
Attorney General

**WILL THE LEGISLATURE
PULL THE PLUG ON LOW
COST ELECTRICITY?**

Public Act 141 &
Renewable Portfolio Standards



Backroom Tactics



The Legislature is trying to use backroom tactics to re-monopolize the electric utilities.



An Unprecedented Tax on Michigan



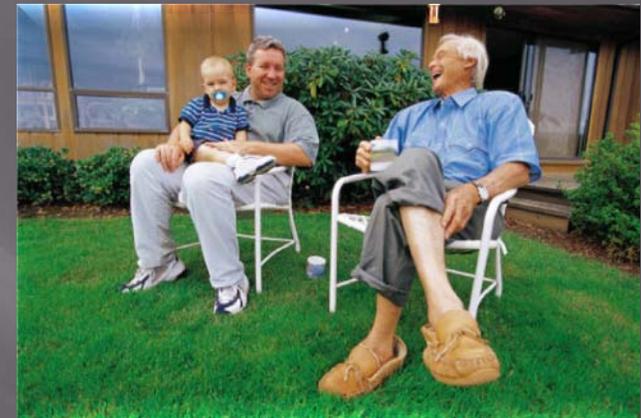
The Renewable Portfolio Standards (RPS) bills and the customer choice bills could potentially account for a total of at least six separate rate increases totaling 2.5 billion.

An Unprecedented Tax on Michigan



▣ These cost increases are indiscriminate and all customers will suffer:

- Big and Small businesses;
- Cutting edge industries;
- ALL residents in MI, especially our Working Poor and Seniors.



Renewable Portfolio Standards (RPS)

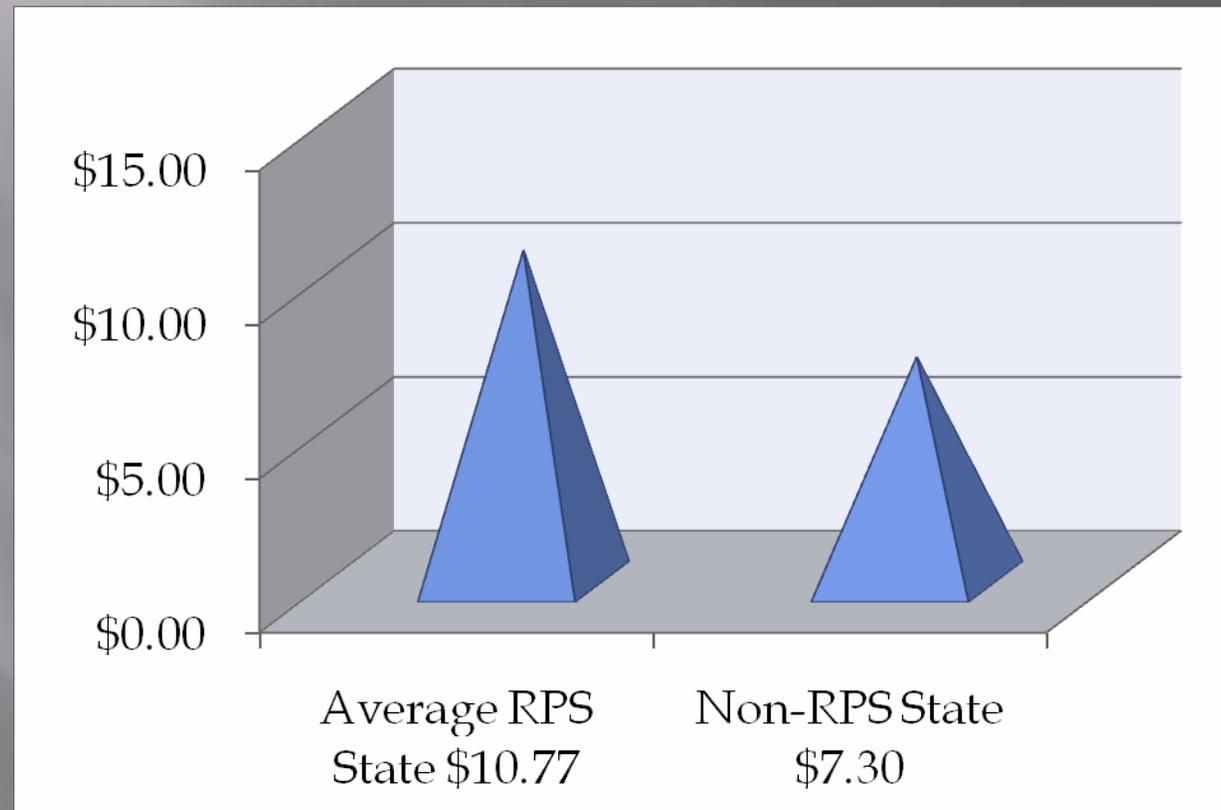


- ▣ Under the Governor's plan:
 - 10% of current sales must be generated by renewable energy sources by 2015 and 25% by 2025.

- ▣ The Governor's plan costs \$6 billion, or put another way - \$1 billion per year to all ratepayers.

- ▣ As proposed, this RPS will raise all customers' rates by 15%.

RPS States Pay More per KWh for Electricity



RPSs are costly, so shouldn't we choose the cheapest options?

The Myth of RPS Jobs Creation



- ❑ Michigan would need 50 wind parks to meet the 10% RPS mandate.
- ❑ A wind park will create no more than 10 permanent jobs.
- ❑ At \$1 billion per year – that equates to...

The Myth of RPS Jobs Creation



\$2 Million
Per Job!!!

Cap & Trade - A Better Way to Conserve Energy



- ▣ If a RPS is mandated by the government, it must require that the utilities use the most cost-effective method to protect ratepayers.
- ▣ A mandate to spend is the same as a tax. We need to make sure that the citizens of MI don't pay more than they need to.

Cost Caps - A Better Way to Conserve Energy



- ▣ Our Legislature may use cost caps as high as 4.6% for residential customers.
- ▣ Eight other states better protect consumers by capping costs at an average of 2% across all sectors.

“New” is Not Always “Better” Trade & Importing Options



- ❑ Directly importing renewable energy from neighboring states could be cheaper than building new “green” power plants.
- ❑ Using Renewable Energy Credits may also be the most cost-effective way to meet an RPS mandate.
- ❑ Like a REC: Nationally, “cap & trades” have been cost effective ways to reduce nitrous oxide & acid rain.
- ❑ The EU is using RECs to lower greenhouse gases.

Competition Works For Job Creators



- ▣ Since PA 141 was enacted Michigan has experienced the *LOWEST* commercial and industrial rate increases in the Midwest:
- ▣ This is why 4,800 businesses in Michigan take advantage of Michigan's competitive market resulting in more jobs.

Choice Good for Cities



- ▣ On March 6th, 2008, Governor Granholm signed into law a bill that allows municipalities to purchase electricity from ANY supplier on the wholesale market.
- ▣ There are NO choice restrictions in this law.
- ▣ If it's good enough for cities, why isn't it good enough for business?

The Drive to Reimpose a Monopoly



A 10% cap on customer choice is a cap on competition in Michigan:

- Michigan will re-monopolize the electric energy industry;
- Investment from new businesses such as LS Power, Wolverine, and other AESs will end;
- There will be no incentive for the utilities to minimize costs.



Overruns Cost Ratepayers



- ▣ Let's look back to the 1980s and 1990s when the utilities enjoyed a monopoly:
 - DTE's Fermi 2 plant incurred \$4 billion in cost overruns, and
 - Consumers spent over \$3.5 billion in overruns on the Midland plant, a project that was later scrapped in exchange for a cogeneration plant.

Ratepayers should not be forced to pay for these mistakes.

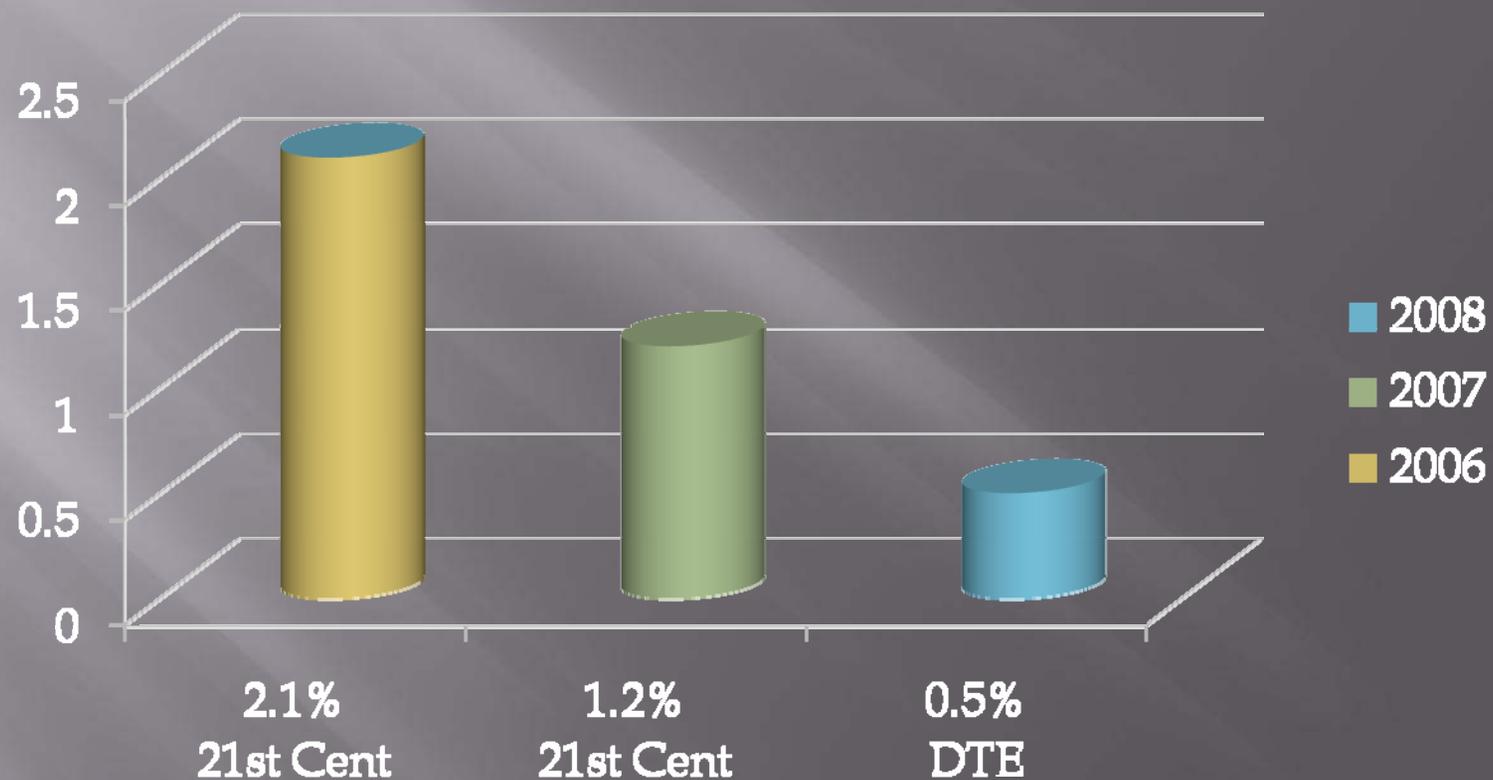
Competition Works



Even the utilities have prospered under PA 141:

- CMS expects a 50% increase in profits this year;
- DTE's profits soared 80% last quarter.

Energy Need Projections



“File & Use” Lending Money To The Store



- ❑ For the **first time in 100 years**, utilities will be able to set rates long before the MPSC can make its decision.
- ❑ Overcharging ratepayers turns into a forced loan to the utilities.



“File & Use” Loaning Money To The Store



If Michigan had “File & Use” during the past 4 years, DTE’s ratepayers would have been charged an additional **\$100 Million.**

Certificate Of Need (CON) Shifting Investment Risk



- ▣ Forces ratepayers to act as “venture capitalists” for the utilities – requiring them to cover the costs & bear the risk of new power plant construction, and
- ▣ Will result in rate increases before the construction is even finished.

Certificate Of Need Shifting Investment Risk To Us



Wisconsin implemented a similar CON and rates have skyrocketed ever since.

From 2000 – 2007:

Commercial Rates
Increased by 42.5%

Residential Rates
Increased by 44.4%

Industrial Rates Increased
by 55.5%

If CONs are so great, why will they only apply to the incumbent utilities?

The Cost of Deskewing Hurting All Michigan Citizens



Potentially
\$365 Million
Per Year



Changing the Rules Ratepayers Lose



- ▣ Deskewing will cost ALL residential customers.
- ▣ No exception will be made for the working poor, nor seniors on fixed incomes.
- ▣ Residents may actually be required to subsidize commercial and industrial rates.
- ▣ This legislation would change the rules halfway through the game – and the ratepayers will lose....to the tune of \$365 million.

A Crass & Cynical Deal



- ▣ With at least six separate rate increases sweeping across all sectors of Michigan's economy, the only ones benefiting are DTE and CMS Energy.
- ▣ The rest of us can expect to see at least **\$2.5 BILLION PER YEAR** in rate increases.
- ▣ Specifically, we can expect to see:

Hurting The Environment & The Vulnerable



- ▣ At least \$250 million to \$1.08 billion/yr for a RPS program that can't meet its objective.
- ▣ \$1.08 billion/yr for DTE's proposed new nuclear power plant.
- ▣ \$270 million/yr for Consumers new coal power plant.
- ▣ \$270 million/yr for a new transmission line.
- ▣ \$365 million/yr shift of rate increases to all residents of Michigan.
- ▣ \$60 million for Consumers that the PSC disallowed after full hearings.

Michigan Cannot Afford This



Michigan is about to pay a 30% - 40% increase in electricity costs.

Recommendations



1. Split the establishment of a RPS from any amendments to PA 141.
2. Allow imported renewable energy & RECs to meet any new RPS.
3. Do not allow a RPS to be used as an economic tool.
4. Allow full competition among utilities – do not favor incumbents.

Recommendations (cont.)



5. Do not allow CON process to turn ratepayers into venture capitalists for the electric utilities.
6. Do not allow any “file and use” processes unless there are controls in place to protect ratepayers while hearings are pending.
7. Resist any attempts to limit “choice,” competition is necessary to keep rates down.
8. Do not change the MPSC deskewing formula; it could potentially cost residential ratepayers \$365 million.