

THE JACOBS CAPITOL REPORT

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HOUSE PONDERES FUTURE of P.A. 141 Well-Intended Utility De-Regulation Not Working

Public Act 141 was created in 2000 to spur industry competition within Michigan's electrical utility market. This week, critics of the act testified before the House Energy and Technology Committee, describing the resulting electrical regulatory structure as an "unworkable hybrid structure" that has stunted construction of any in-state power plant.

"We know customer choice doesn't work, so let's get rid of it and move on to the future," said DTE Energy Chairman and CEO Anthony Earley.

P.A. 141 has created some electric choice in Michigan, mostly for commercial users. Michigan citizens lack the true ability to choose their electric provider. In a sense, P.A. created a "semi-regulated" market, an odd mix of regulation and deregulation that unintentionally enhanced the worst aspects of both approaches while benefiting only a small minority of stakeholders.

DTE and other incumbent providers have asked lawmakers to construct a regulatory mechanism that would allow them to build new job-creating energy generation facilities to stabilize Michigan's energy supply and make the state's energy rates more predictable. As reliance on out-of-state power generation increases, so does the instability of rates.

As reported earlier in the Jacobs Report, House Speaker Andy Dillon (D-Redford Twp.) has toyed with the idea of dumping P.A. 141 to reaffirm DTE and Consumer Energy's monopoly status in exchange for a new energy tax on power companies.

Mr. Earley explained that from DTE's perspective, re-regulation and an energy tax are separate issues, but agreed that eliminating P.A. 141 would make an utility tax "a lot easier for us to swallow."

David Joos, CEO of Michigan's other major power supplier, Consumers Energy, agreed that, "[The] repeal of the choice provisions of P.A. 141 is Michigan's best course of action."

The Virginia Legislature repealed most of its electric choice program last week and Montana is close to doing the same. According to DTE, 34 states are either repealing, delaying or suspending their “deregulation experiments.”

“Fully two-thirds of the states have turned their backs on electric deregulation,” Earley said.

The biggest problem in Michigan is the unintended disincentive P.A. 141 provides for constructing new electric power plants. Lack of stability in the state’s electric system not only threatens the availability and distribution of power, it results in Michigan losing jobs to Ohio and Indiana and puts us in the position of having no choice but to pay other states for the importation of their electricity.

Regarding the political realities of repealing P.A. 141, Mr. Early said, “I sense the forces and issues are right to do it. It's going to be hard. There are constituencies that are helped by P.A. 141. There are constituencies who feel they might be helped in the future.”

“But right now, with less than 5 percent of customers using customer choice and many customers feeling burned by seeing prices run, plus the very real need to start building power plants now, all these forces are coming together to say, ‘We need to take this step and do what's right for the long term.’”

LIQUOR LICENSE EXTENSION IN WORKS Blue Laws Targeted

The House Regulatory Reform Committee reported legislation that will allow some bars and vendors to extend sales past 2 a.m. and sell earlier on Sundays.

HB 4573, introduced by Rep. Steve Tobocman (D-Detroit), would extend retail sales of alcohol until 4 a.m. instead of the current limit of 2 a.m. It would also allow sales of alcohol to begin at 7 a.m. on Sundays instead of noon.

Tobocman introduced the bill with the goal of stimulating the economy, specifically that of Detroit, which has arguably suffered due to liquor laws that are stricter than those of other large cities.

Fees for the extended license are steep (\$5,000 for the night extension and \$2,500 for Sunday morning sales).

“I think the desire is doing all we can to look at optimizing the maximum

revenue,” explained Rep. Tobocman.

Local governments would still maintain control, as the bill affords them the ability to pass a resolution stating that they don't want the extended hours. If they don't pass a resolution, the sellers in their area can go ahead and apply for extended licenses.

The H-2 version of the bill moved on a 6-0 vote and is sure to see amendments on the House floor and in the Senate.

GOVERNORS ASSOCIATION: ENERGY SHOULD BE A PRIORITY **National Body Urges New Federal Policies Across-the-Board**

Building on innovative initiatives to address energy challenges in their states and the recent launch of the National Governors Association (NGA) 2007 Energy Project, governors have adopted a focused set of federal energy legislative priorities for the 110th Congress.

Governors urge Congress to expand the alternative fuels standard, enhance transportation fuel efficiency, extend renewable energy tax credits, incentivize carbon capture and sequestration technologies, boost energy efficiency and conservation and increase funds to promote advanced technologies.

The NGA Natural Resources Committee will hold a special field hearing in Salt Lake City, Utah on Sunday, April 15, 2007, to talk about these priorities and explore concrete steps states can take to meet America's clean energy goals.

“Many governors have taken strong steps to create energy initiatives in their states that promote clean, secure and affordable energy for our future,” said Utah Gov. Jon Huntsman, Jr., chair of the NGA Natural Resources Committee. “This NGA field hearing is a unique and important opportunity for energy policy experts across the country to participate in shaping the national landscape for energy policy.”

“States have become the real policy drivers on creating clean energy jobs and a renewable energy future,” said New Mexico Gov. Bill Richardson, vice chair of the committee. “We call on Congress to adopt each of the measures to ensure America's energy security.”

The field hearing will feature a governors' advisors panel addressing the nation's rising demand for energy and reviewing energy sector policies to advance energy development. Participants also will discuss new federal energy initiatives and opportunities for partnerships between the federal government and states. The field hearing will end with a discussion among

representatives from the investment community about promoting clean energy investments in states.

“This plan outlines steps the federal government should take to be an effective partner in our efforts,” said Governor Jennifer Granholm of Michigan. “This plan makes clear that we can reduce energy consumption and reduce our dependence on foreign oil while protecting Michigan jobs.”

WIT, WISDOM, ETC . . .

Quotables

“It’s hard to argue against cynics—they always sound smarter than optimists because they have so much evidence on their side.”

~Molly Ivins

“I was born at the age of twelve on a Metro-Goldwyn-Mayer lot.”

~Ed Koch

Quote of the Week: Kurt Vonnegut

“So it goes.”

All Michigan legislation can be tracked at

<http://www.legislature.michigan.gov/> .

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State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Campaign & Election Oversight Committee. She also serves on the Finance, Economic Development & Regulatory Reform, and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at

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