



July 21, 2014

Mr. Steve Bakkal
Director, Michigan Energy Office
Michigan Economic Development Corporation
300 North Washington Square
Lansing MI 48913

Mr. Bakkal,

On behalf of Energy Choice Now, we appreciate the opportunity to respond to the Michigan Energy Office's "Energy-Intensive Industrial Rates Workgroup Report," ("Workgroup" or "Workgroup Report"), part of Governor Snyder's vision for a "No Regrets" energy future and released in draft form on July 7, 2014.

Energy Choice Now is a grassroots, Michigan-based nonprofit coalition representing over 1,300 businesses, individuals, trades, associations, local units of government, and suppliers who want: 1) relief from Michigan's increasingly expensive electricity rates; 2) better customer service; and 3) state-of-the-art innovative energy products, all which can only be achieved by incorporating more competition into the electricity market. ECN's objectives also reflect the desire of more than 11,300 Michigan utility electricity customers in the waiting queue for Electric Choice, who have committed to a competitive supplier but are prevented from switching suppliers by Michigan's energy law, PA286 of 2008, which places a 10% cap on Electric Choice.

The workgroup was formed purportedly as a first step to address Michigan's high electricity rates for "energy-intensive" users, in order to attract and retain these larger users and make Michigan better able to compete.

ECN is heartened that the Administration recognizes that Michigan's current energy law, which limits competitive electric supply to just 10% of overall system requirements, has made our state far less attractive to business retention, development and investment, and that our lack of competitive rates needs to be urgently addressed.

However, even as a "first step", the workgroup process had major flaws which we would like to address here.

First and foremost: the process lacked both inclusiveness and transparency. The group was closed to general participation, with only Michigan Public Service Commission staff, DTE Energy, Consumers Energy and several large Michigan electricity users invited to participate. No residential or commercial users or any competitive suppliers, which represent 10% of Michigan's current market, were allowed in the discussions.

To that end, we request that all materials and notes from the workgroup be made public so that all ratepayers, residential and business, have equal access to the information that was discussed and considered.

While the goal of the workgroup -- investigating ways to make Michigan more attractive to “energy-intensive” industries through competitive electric rates -- is laudable, some of the primary tactics discussed as a way to achieve that goal are problematic.

One of the most egregious tactics discussed was solving the problem of high electric costs in Michigan by simply allowing Michigan’s two largest utilities to cost-shift their way out of the problem -- rather than to tackle this problem head-on and make lasting structural changes that will benefit all Michigan energy users.

The cost-shift would happen by allowing the utilities to cloak rate reductions to selected industrial users by using the savings that all residential, commercial -- and even Choice customers -- would finally have felt for the first time in 15 years due to securitization charges finally coming off of their monthly bills. And this on top of five years of rate increases.

This tinkering at the edges would result in virtually no net change to Michigan’s overall ranking as having the highest electricity rates in the Midwest, thus resulting in Michigan’s lack of attractiveness to business investment. Michigan’s competitiveness will increase only when energy users are permitted to take control of their purchasing decisions.

The workgroup also raised many important issues that would result in a more competitive price structure in Michigan, such as real-time price signals and how critical these signals are for consumers to make good buying decisions.

However, transparent and timely price signals are achieved only in a competitive marketplace. Transmission, demand, and other capacity costs are only a part of the energy picture, with generation being the biggest piece. Under the current structure generation service even with the changes being suggested continues to be a regulated reconciled service, which by definition provides no transparency to the pricing nor timely price signals from which consumers could make decisions. A report that lauds so dramatically the importance of timely and accurate pricing signals to consumers does nothing to address timely and transparent price signals for the largest part of the bill, generation. A truly competitive market would not only result in the ability of consumers to select their own energy provider and energy products that meet their needs, but would also provide accurate, timely, and true generation prices to all consumers, shopping and non-shopping alike.

The business participants in the workgroup also called for market-based rates, such as what consumers in Illinois enjoy and where, since the introduction of a more properly structured competitive electric market in 2010, consumers have had access to a myriad of products, suppliers, and prices. In the first four months of 2014 alone, the difference between the average price offering in the Illinois ComEd service territory and Michigan equates to \$825 million. Although choice is about enabling consumers to take control of their own energy purchasing

decisions to find the products and suppliers that best meet their individual needs, the opportunity for savings should not be discounted. These business participants were also in agreement that “more action is likely necessary to change the current legislative framework” in order to reach the Governor’s desired goal of ensuring energy-intensive industries choose to invest in Michigan.

ECN agrees with the workgroup’s business participants on these points and emphasizes: the “more” that needs to be done legislatively is bringing competition back to Michigan's electricity market.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Kuipers". The signature is written in a cursive, slightly slanted style.

Wayne Kuipers, Executive Director
Energy Choice Now