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Honorable Frank Accavitti and members
House Committee on Energy and Technology

Thank you for allowing me to testify on House Bills 5520 through 5525. I am Bill Knox, Associate State Director for Government Affairs for AARP in Michigan. AARP has 1.5 million members in Michigan, and we are the largest organization in the nation representing people 50 and older with 37.5 million members. We generally take positions on many issues of importance to our members, and we base our opinions on the guidance of AARP policy. That policy dictates that we oppose this package.

If these bills were law today, residential ratepayers would face:

- Electric utility rate increases of $350 million, based on the provisions of HB 5522 and the filings of DTE and Consumers Energy now before the Michigan Public Service Commission. Additionally, one utility, Consumers Power, wants to eliminate the senior discount, which would raise each monthly bill by $11. This is not a small amount to older retirees on fixed incomes. Indeed, it represents a 40 percent increase in many instances.

- Additional higher rates under provisions of HB 5521, which requires customers to pay some costs of a new power plant while it is under construction. Not only that, we would revisit the nightmare of the 1980s, which saw horrendous multi-billion dollar cost overruns in new power plants ultimately paid for by customers.

- Automatic rate increases 90 days after filing under HB 5523. In other states similar laws have led to cascading rate cases that overwhelm regulatory bodies and consumer representatives. The MPSC and the attorney general would be powerless because it would take many millions of dollars more just to stay even with filings.

- Residential ratepayers trapped in a hell of rate increases that I have just outlined with no place to go under HB 5524, which kills choice. No energy provider would enter the residential market under a law that allows a customer to choose a provider just once.



Erik D. Olsen, President
William D. Novelli, Chief Executive Officer

What could you do instead?

- Require open bidding on any new power plant to ensure that the lowest possible price is paid. This can be accomplished by passing House Bill 4630.

- Make the builder of a new plant assume capital risks as is done in any other business. Indeed, at least three non-utilities have already begun the process of building new electrical generation without using customer money.

- Eliminate barriers for residential customers who want to enter the choice market, similar to the system used in the natural gas industry.

- Encourage aggregation of residential load into a customer base that could be attractively bid out to energy suppliers.

To reiterate: AARP opposes this package of tie-barred bills. We are willing to work on alternatives that would benefit all customer classes.

Thanks again for allowing me to testify, and I am willing to answer questions.

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