POSITION OF THE ASSOCIATION OF BUSINESSES
ADVOCATING TARIFF EQUITY ON THE 21ST CENTURY ENERGY PLAN

The 21st Century Energy Plan is the result of the hard work of many people striving to model Michigan's energy needs over a reasonable planning horizon. The data accumulated during the study period leaves very little room to dispute that new sources of electricity will be needed in the future. While the study process was sound and provided for input from many stakeholders, the summary conclusions were crafted by a very limited number of parties and do not responsibly address the need to reduce electricity costs in Michigan via sound procurement strategies. The industrial member companies of ABATE are concerned that this lack of competitive procurement of energy for Michigan will lead to higher energy prices and continued job losses in the state.

The 21st Century Energy Plan Proposals do not solve Michigan's high industrial energy rates; rather, the proposals will have a tendency to increase energy rates by returning Michigan to the past policies of allowing utility new generation construction overruns to flow directly into the customer rate base. The Plan explicitly rejected an all source competitive bid solicitation for new generation and further, the report allows only utilities to build a new base load plant which directly conflicts with state mandated sourcing policy.[1] Responsibility for construction cost performance should rightly reside with the company that has bid for the right to build rather than the citizens and employers in the state.

The report inappropriately argues the availability of open access would eliminate the need for competitive bidding. In practice however, the 21CEP proposals would impose severe restrictions that would eliminate or void any apparent benefits of going to an alternate supplier. Requirements that cost overruns be charged to all customers including those leaving the system, a 2 year notification to leave, a 2 year notification to return, mandates to establish subsidies for non-economic generation types etc are examples of the draconian nature of some of the mandates and restrictions contemplated by the report. These measures would combine to effectively nullify any customer benefits that might be associated with PA 141 while leaving the incumbent utilities to reap all the benefits associated with the act and to pass those benefits to their shareholders in the form of increased profits while forcing their customer base to bear an un-warranted amount of risk that could affect Michigan consumers for decades.

Finally, the report contemplates a complete break with accepted practice and precedence and would allow utilities to recover financing costs associated with new plant construction even before the plant is brought online. Pre-funding a generation facility in this way makes it virtually certain that the facility will be rolled into the rate base regardless of its cost thus transferring all cost risk from the utility and its shareholders who have control over the construction to the utility's ratepayers.

In summary, while the 21st Century Energy plan was a necessary action to study and quantify the state of energy supply in Michigan, many of the recommendations coming out of the plan are not conducive to sound and acceptable public policy. Competitive sourcing policy should drive decisions as to the who, where, what type and when electric generation should be procured for Michigan, and any new legislation should be more pro-consumer and less pro-utility company than the recommendations contained in this report.

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[1] Executive Directive No. 2005-3; MCL 18.1261

Industrial customers will pay even more subsidies under 21st Century Energy Plan

CURRENT ANNUAL SUBSIDIES PAID BY INDUSTRIAL CUSTOMERS OF DETROIT EDISON AND CONSUMERS ENERGY

		INDUSTRIALS SUBSIDIES
Rate Skewing:		$104 million/year
Low Income/Efficiency:	$40 million for all customers	$13 million/year
Securitization:		$20 million plus
TOTAL =		**$137 million plus**

21ST CENTURY ENERGY PLAN SUBSIDIES

Rate Skewing:		$104 million/year
Securitization:		$20 million/year
Energy Efficiency:	$68-110 million program for all customers	$18-30 million/year unless exempted
RPS @ 10%:		$80-90 million/year
Pre-funding of new plant financing in rate base:	$3 billion plant	$50 million/year
Low Income/Efficiency:		$9.1 million/year
Bury Overhead Lines:		? – In the millions

TOTAL SUBSIDES PAID BY INDUSTRIALS = $280 million plus per year

These costs could be much better spent by Michigan's largest job providers on plant expansions, job creation, R&D, and plant upgrades.

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THE GRAND RAPIDS PRESS

Electric-powered savings

Sunday, March 25, 2007

Even in Michigan's dim-bulb economy, electricity needs are growing enough to plan an expansion of power supplies. But lawmakers and the Public Service Commission should take care that any such changes don't pull the plug on independent power suppliers.

The independents -- gas-fired, renewable and other alternatives to utility giants Consumers Energy and Detroit Edison -- are essential to maintaining competition and a free market for energy, keys to lowering electricity costs. The state's rates are above regional averages, especially for industrial customers. Michigan's industrial rates top those of Illinois, Indiana, Ohio and Wisconsin.

Tending to that cost factor is crucial if Michigan is to match up with the economic climates of other states. An example of the problem is the struggle now under way in the Saginaw area where a large manufacturer, Hemlock Semiconductor Corp., may take a major expansion and 500 permanent jobs to Kentucky. Electric bills in Michigan, according to a company spokesman, run $42 to $52 per 100 megawatts. The projected rate in Kentucky is $34 to $38. The difference would mean a savings of $12 million to $14 million annually, the company estimates.

The electricity supply issue is before the Legislature and the PSC this spring, based on a report issued by the PSC in January that called for at least one new power plant by 2015. The report proposes that the utilities be permitted to charge ratepayers in advance for new plants.

Opposing that idea is the Cus-

tomer Choice Coalition -- representing alternative suppliers and commercial and industrial and public school organizations. The coalition worries that advance payment would hand a huge competitive edge to the major utilities, especially if rate-paying requirements hamper customers in moving between the utilities and independent alternatives. The utilities, they contend, should bear the same marketplace risks as any other business enterprise.

The utilities have their own very legitimate cases to make in support of advance billing, including that consumer choice and the high cost of building a major power plant justify some way to assure that the money will be recovered.

The energy committees of the House and Senate will have to look carefully at the long-term implications of this issue. Members of the panels include Sens. Patricia Birkholz, R-Saugatuck, and Wayne Kuipers, R-Holland; and Rep. Bill Huizenga, R-Zeeland. Their inquiries should include a look at Byron Center-based Spartan Stores, which has been saving as much as $10,000 a store annually by using an alternative, Ann Arbor-based energy supplier.

At a minimum, lawmakers and the PSC should do nothing to reduce such savings opportunities. At best, they should try to enhance free market competition. A brighter Michigan economy should result.

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Competition remains cloaked in anonymity

Monday, March 05, 2007
JUSTIN ENGEL
THE SAGINAW NEWS

Twenty million bathtubs won't stand in the way of 500 new jobs at Hemlock Semiconductor Corp.

A $50 million electricity bill might, though.

Mid-Michigan leaders are hoping Consumers Energy doesn't short circuit the Thomas Township plant's loyalty to its home of 40 years as Semiconductor officials ponder taking a $600 million to $1.2 billion expansion plan elsewhere.

"Their decision is not just important to us," said Terry L. Rock, a member of the township's Parks and Recreation Commission and its citizens advisory panel. "It's important to the entire region."

Michigan mayors, supervisors, executives -- even the governor -- have worked to convince Semiconductor officials to build in Thomas Township.

The stakes are very high, they say. In all, an expansion would generate 500 permanent jobs as well as 600 temporary jobs for construction workers -- not to mention the cash such an addition would pump into the economy. Workers use it as a coolant for heated chemicals.

"These are precisely the kind of good jobs that we want and need to transition Michigan's economy," said Liz Boyd, Gov. Jennifer M. Granholm's spokeswoman.

To make way for a potential expansion, the city of Saginaw recently promised to lift its cap on the Semiconductor's water allowance from 900 million gallons annually to just over 1 billion. That's enough to fill 20 million bathtubs.

Officials from municipal and state governments and economic entities have struck other deals, but the largest obstacle remaining -- the bargaining chip Semiconductor executives say will tip the scales one way or the other -- is electricity. The company, which uses more power than any single site in the state, paid a $50 million Consumers Energy bill in 2006.

Saginaw Future Inc. President JoAnn T. Crary said she hopes to pull together "a competitive energy package" soon.

"Our expectation is that we'll put our best foot forward," she said.

The problem is that Semiconductor's sweet tooth isn't a secret, and competitors have candy to offer.

Kentucky Gov. Ernie Fletcher made a stop to mid-Michigan in October to woo the company to expand to Carrollton, Ky. The city was in the running for Semiconductor's $500 million expansion in 2005 but lost out to Thomas Township.

Energy bills cost $42 to $52 per 100 megawatts here compared to $34 to $38 per 100 megawatts in Carrollton, said Gregory J. Skufca, Semiconductor's site manager. In 2005, he estimated power would have cost $12 million to

$14 million a year less in Kentucky.

However, Semiconductor would have had to spend an extra $30 million to $40 million in infrastructure costs to bring its purified silicon business online.

Back then, mid-Michigan won the expansion sweepstakes with a deal that included a $5.1 million Single Business Tax credit over 15 years, a Thomas Township tax abatement on buildings and site improvements worth $2.4 million over 12 years, and a lower power rate through Consumers Energy. Now Semiconductor pays one-third less than the wholesale energy price for Midwestern states.

The incentives were enough to convince Semiconductor to build in Thomas Township then. Will it prove enough now? Skufca wouldn't confirm if Carrollton is an option this time around.

A power plant in Carrollton's Carroll County -- Kentucky Utilities Generating Station -- has helped lower electricity bills that led to an industry boom over the past two decades, Carroll County officials say. The coal-burning station's generating units can produce enough electricity to light 5 million 100-watt light bulbs. It consumes an average of 14,000 tons of coal daily.

Reno Deaton, executive director of the Carroll County Community Development Corp., said the county also hosts a stainless steel manufacturer, a chemical plant and a wallboard manufacturing business.

The city's leaders describe the region as "an industrial community with rural roots."

It also helps that Bay County's Williams Township-based Dow Corning Corp., which owns a majority share of Semiconductor, has a plant in Carrollton.

Nearly 4,000 people live in Carrollton and 10,000 reside in Carroll County. The county, wedged in a 100-mile stretch separating Cincinnati, Ohio, and Louisville, Ky., sits next to the Ohio River and Interstate 71.

"We have primarily a non-union workforce, which is very attractive to industry," said Dwight D. Louden, Carrollton's mayor. "We have a local regional hospital, a good school system and a government that works together well."

Semiconductor employees aren't unionized.

If Carrollton is an option, it's not Semiconductor's only alternative. What began as a list of 20 is down to about a dozen hopefuls.

Semiconductor officials say the finalists include places in the United States, Eastern Europe and Asia. They won't get more specific because of company policy.

Saginaw Future, the Michigan Economic Development Corp. and Midland Tomorrow are among the action groups dedicated to brokering Semiconductor a deal.

Nearby municipalities also are chipping in.

In mid-February, Saginaw Township Supervisor Tim Braun vowed to increase his suburb's wastewater treatment capacity to handle Semiconductor's expansion. Saginaw Township treats Thomas Township's wastewater.

The next week, Saginaw's City Council extended a tax-based sharing agreement with Thomas Township and Semiconductor for the plant's 2005 expansion bid. Now the agreement also will apply to the next round of expansions if Semiconductor decides to continue building here.

The Michigan Economic Development Corp., meanwhile, has pledged $4 million to bolster infrastructure around Semiconductor if the expansion goes ahead. Half the money would cover the cost of improving roads, and the other half probably would help defray water and sewage treatment expansion expenses.

Semiconductor's Board of Directors plans to decide in April or May where to grow.v

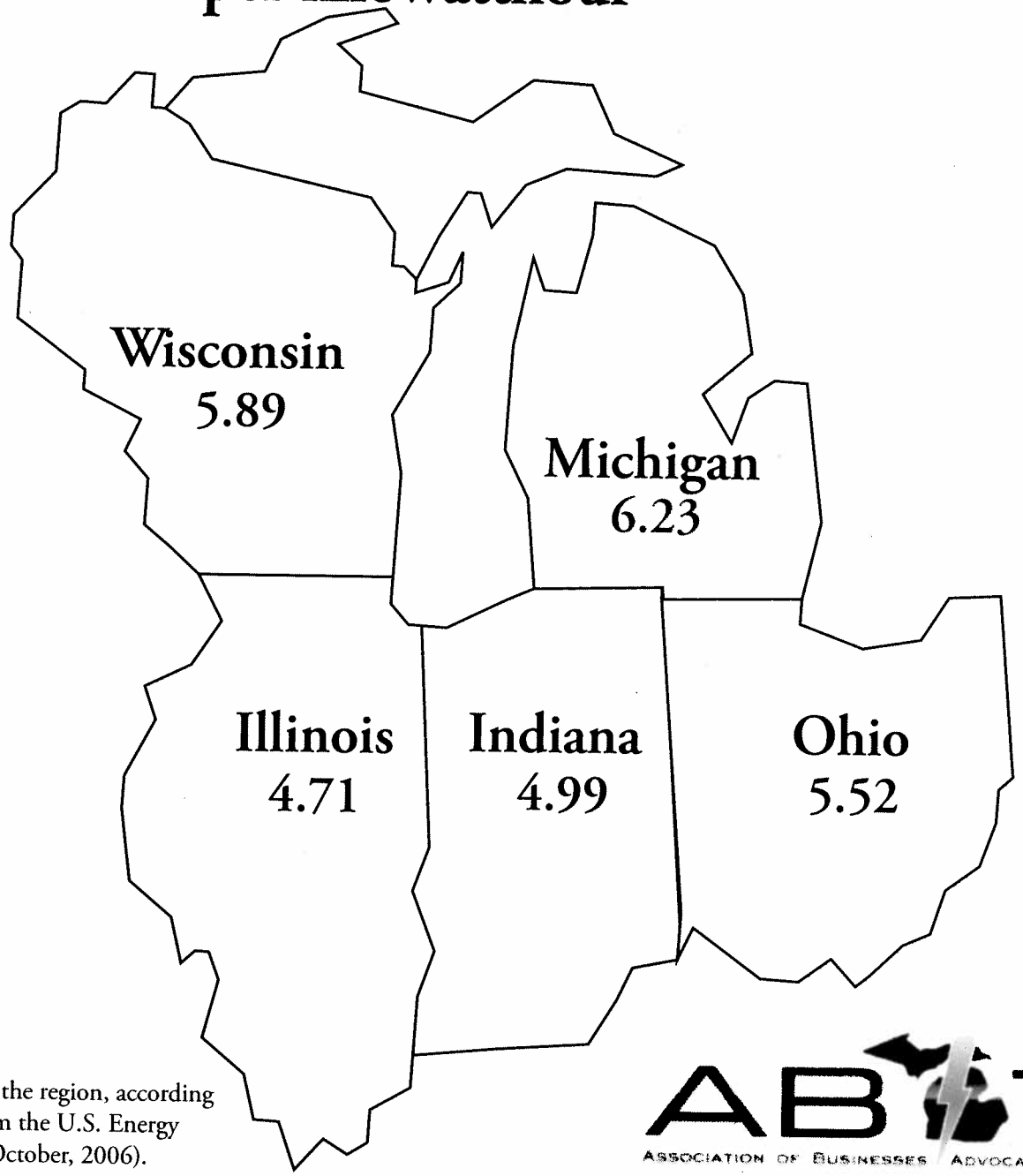
Justin Engel is a staff writer. You may reach him at 776-9691.

ABATE Member Companies

Cargill
Daimler Chrysler Corporation
Delphi Corporation
Eaton Corporation
Edward C. Levy Company
Enbridge Energy, Limited Partnership
Ford Motor Company
General Motors Corporation
Marathon Petroleum Company, LLC
Martin Marietta Magnesia Specialties, Inc.
Mueller Industries, Inc.
Praxair, Inc.
Quanex Corporation
US Steel Corporation

ABATE
ASSOCIATION OF BUSINESSES ADVOCATING TARIFF EQUITY

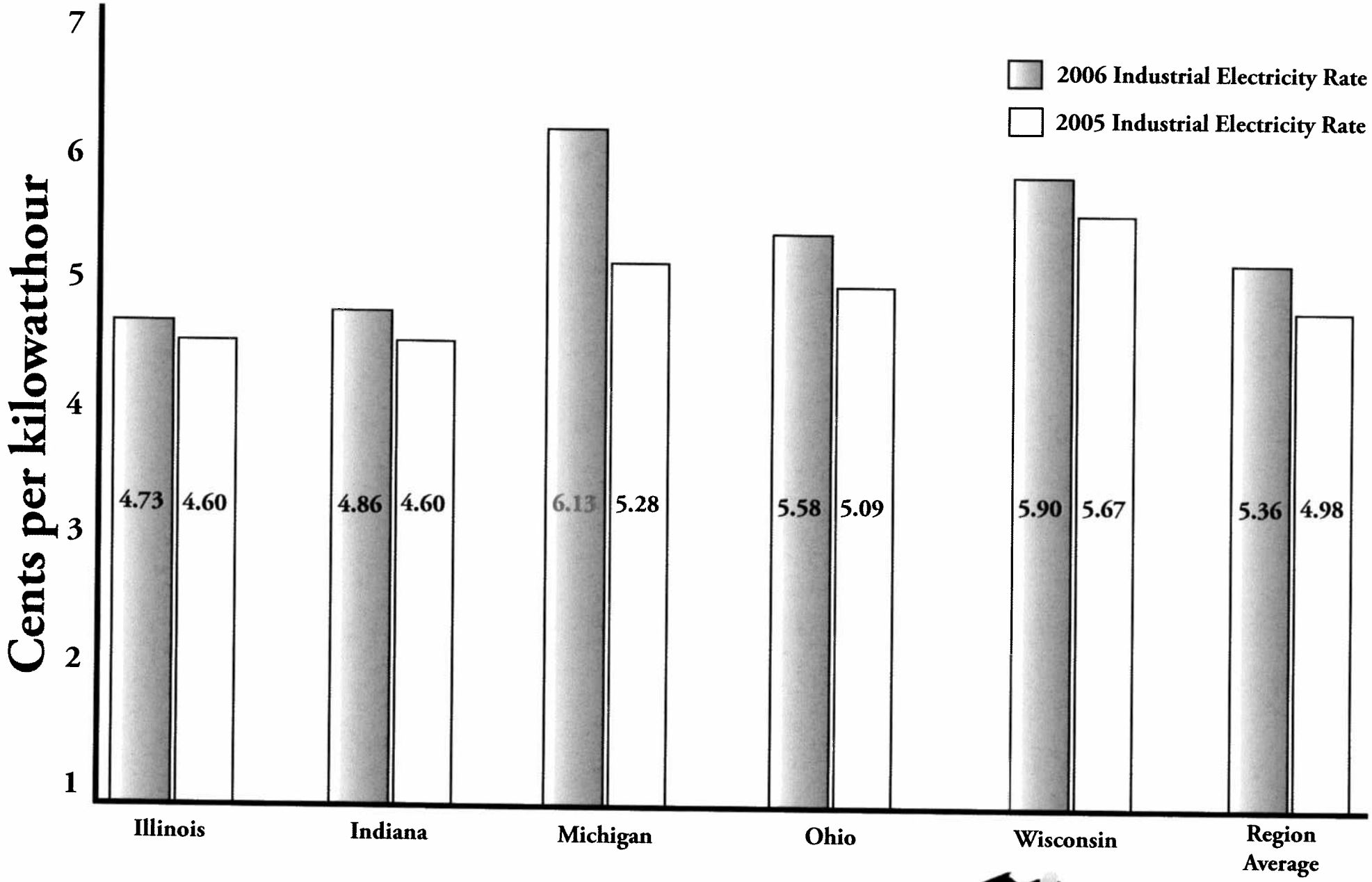
2006 Midwest Industrial Price of Electricity, per kilowatthour



Michigan's industrial rates are the highest in the region, according to the most recent information available from the U.S. Energy Information Agency (year-to-date through October, 2006).

ABATE
Association of Businesses Advocating Tariff Equity

Michigan's Industrial Electric Rates Continue to be the Highest in the Region



Michgian's industrial electric rates are the highest in the region, according to the most recent information available from the U.S. Energy Information Agency (year-to-date through October, 2006).

ABATE
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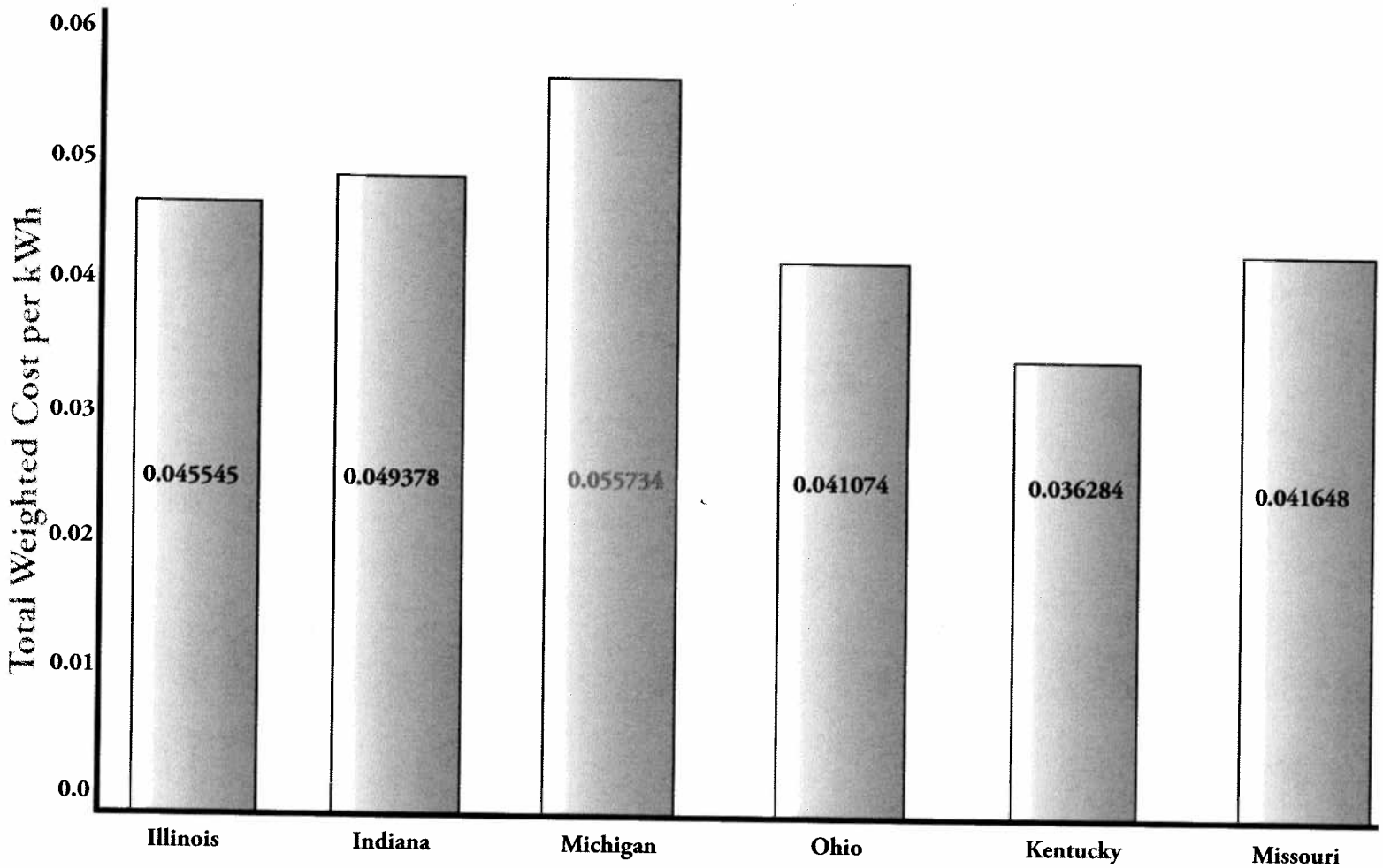
Weighted Cost per KWh Paid by ABATE Members in 2006



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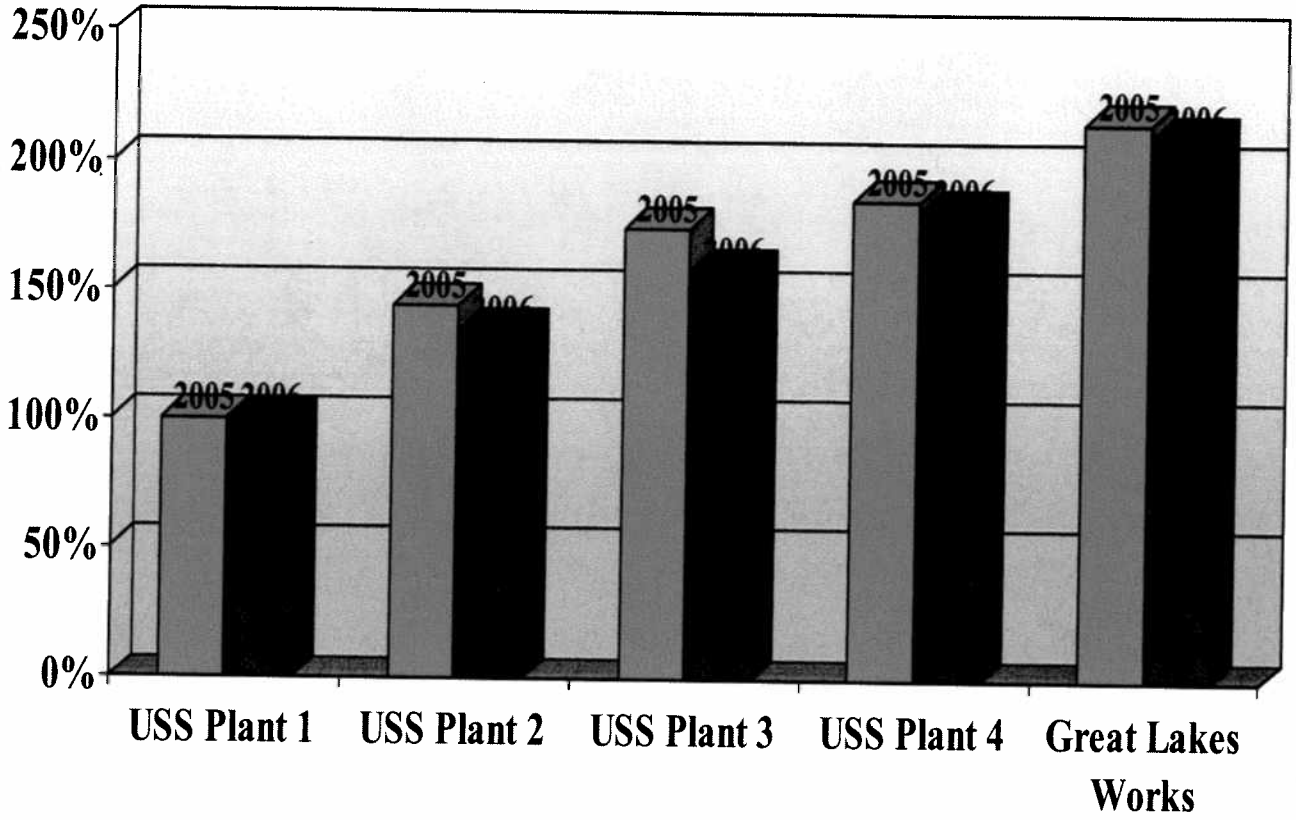
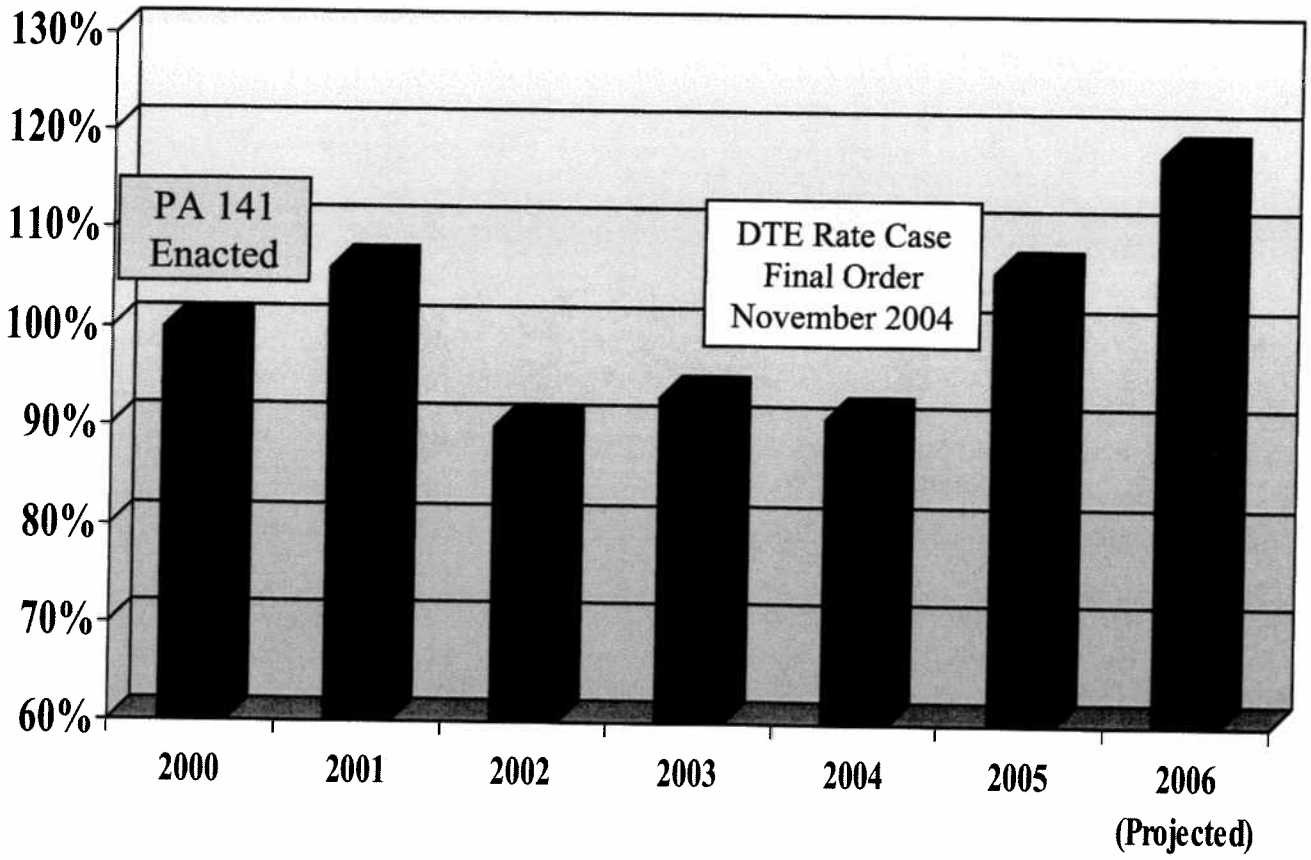
United States Steel North America Integrated Mills
Electric Cost Comparison



United States Steel Great Lakes Works Electric Costs