April 13, 2015

To: State of Michigan, House of Representatives, Energy Committee
From: Wm. Art Holdsworth, Director of Facilities Management, Oakland County, Michigan
Re: Electricity Customer Choice

I'd like to share with you my concerns with House Bill 4298. On the *demand* side of the equation:

- If passed, HB4298 would eliminate Electricity Customer Choice (ECC) in the State of Michigan. With ECC, a consumer can contract with an Alternative Electricity Supplier (AES)[i]. Currently, the state allows 10% of Michigan's electricity to be purchased and sold through AES' whose rates are often less than those of the major utilities.
- AES contracts are so popular that more than 11,000 companies are currently on waiting lists
- Oakland County contracts with AES' and saves nearly $500,000 a year
- Michigan businesses that have contracted with AES' since 2009 *saved* $350 million…those that could not *paid* $235 million a year *more*
- The businesses that have not been able to take advantage of ECC have been placed at a competitive cost disadvantage
- Not only are they at a competitive disadvantage with Michigan companies, they're at a competitive disadvantage with companies across the Midwest. Electricity costs for Michigan consumers have been $3 billion higher than in nearby states.
- Those higher electricity costs had to be paid for somehow. Businesses had to either…
    - Invest less in renovations or new products, placing them at still greater competitive disadvantage; or
    - Lay off employees or delay hiring new employees, weakening the Michigan economy still further
- That means higher electricity costs may have cost Michigan 21,000 jobs a year
- Oakland County represents 18% of the Michigan work force and could have seen an additional 3,780 jobs a year if rates had simply been *on par* with other states
- And eliminating the 10% ECC level would exacerbate the problem!

On the *supply* side of the equation:

- Michigan faces two more problems:
    - Obsolescence: our utility plants are aging and inefficient, subject to ever-more stringent EPA regulations
    - A stagnant merchant electricity market[ii]: merchant electricity providers aren't entering or staying in the Michigan market, meaning newer and more efficient, cleaner burning plants aren't being built

- We need to encourage cleaner technologies and newer plants that are less expensive to operate…but how?

The solution is simple and it's a win-win. First, don't make the demand and supply side problems worse – retain the 10% ECC level as Gov. Snyder favors. But consider giving Michigan consumers even greater choice by opening up more of the market to ECC…

- Entrepreneurialism will be fostered as more and more AES and merchant electricity generators enter the state
- New and cleaner burning electricity plants will be built to sell power to the major utilities
- The older, inefficient plants will be retired and lower the cost of producing electricity
- Businesses will enjoy lower costs and be able to invest in Michigan, expand their workforces, and lower our unemployment rate
- Homeowners will enjoy lower costs and have more discretionary income to fuel our economy

We don't need to make a political statement here about federal regulations, we don't need to live with an oligopoly and higher prices…what we need is to let the free market be free, lower costs of electricity for everyone, and watch our economy grow!

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[i] - A company that purchases and sells electricity to retail consumers.

[ii] - Independent energy generators that sell power in competitive wholesale power markets, primarily in the Northeast, Great Lakes, California, and Texas.