



To: Members of the House Energy Policy Committee

From: Andy Johnston, Vice President of Government Affairs;
Joshua Lunger, Director of Government Affairs

Subject: Michigan's Energy Policy

Date: April 13, 2015

At the Grand Rapids Area Chamber of Commerce, we seek to advance a "top-of-mind" region that attracts business growth and world-class talent. Energy policy and its impact on businesses has long been a priority of the Chamber. Many businesses cite the cost of energy as having a direct impact on their ability to compete and grow.

Over the last four years, our region has undergone an amazing recovery that includes the recent announcement of a 4.3% unemployment rate for the Grand Rapids-Wyoming metro area.

Following the enactment of a number of reforms to improve the competitiveness of the Michigan business environment, the cost of energy is increasingly becoming a primary issue for the business community.

We have witnessed, through our annual survey of membership, member concerns transition away from issues such as the condition of state and national economies, and high tax burdens, to other areas such as the high cost of energy.

As you know, the important work this committee is beginning will have a significant impact on every business and resident in Michigan for years to come. Affordable energy is a powerful business retention and attraction tool, and it is clear the industries that will drive our future growth need access to reliable, low-cost energy.

The Chamber was supportive of the Customer Choice and Reliability Act, PA 141 of 2000, which was enacted to provide Michigan businesses and residents the opportunity to purchase electric energy from a supplier other than their host public utility.

The passage of PA 141 was the result of several years of study concluding that Michigan's energy costs were significantly higher than neighboring states and a competitive framework would yield lower energy costs.

In 2008, PA 286 placed a limit on electric choice of no more than 10 percent of an electric utility's average weather-adjusted retail sales. The 10-percent cap filled quickly and today nearly 12,000 businesses are waiting in the queue to use an alternative energy supplier. The Chamber took a position opposed to the cap and issued a position paper in 2007. Last fall, we began a review this position paper to ensure we were supporting the policies that best support Michigan's growing economy.

This year, following extensive discussion with stakeholders that included choice users, utilities and other members, we urge the House Energy Committee to focus on improving the competitiveness of Michigan businesses by advancing policies that keep energy costs competitive, while providing adequate and reliable energy.

I would now like to turn it over to Josh Lunger, our Director of Government Affairs and staff person for the Chamber's Environmental Affairs Committee to talk in further detail on our position on this legislation.

While we have a number of thoughts on the legislation before this committee, we understand the focus of today's hearing is on electric choice.

A projected shortage in the reserve capacity margin is one of the key issues driving the discussion. We believe the answer to the capacity question is an "all of the above" approach through new generation, increased import capability, additional demand response and voluntary interruptible load, and greater energy efficiency. We need to be very intentional on focusing on the most cost-effective options to addressing capacity.

Currently, customers participating in the Retail Open Access program are required to purchase capacity at the level mandated by the Midcontinent Independent System Operator (MISO). Eliminating this program would not only fail to comprehensively deal with the capacity issue, but would remove the incentive for competitive costs. The total footprint and capacity needs remain the same.

We support efforts to ensure that there are adequate resources to meet energy supply in a manner that does not effectively eliminate the ability of choice customers to benefit from the electric choice program.

We recognize that there could be improvements made to the market that will benefit all of Michigan and help address the shortfall. The market is not perfect, but it is certainly to the benefit of Michigan customers.

We are open to considering solutions that would lead to both utilities and alternative electric suppliers planning to meet supply needs for a reasonable time into the future.

While we believe there are sufficient conditions in place for customers to return to a utility, we are certainly open to discussing and exploring whether a problem exists in this area. If it does, we would look forward to participating in the discussion about fair and reasonable requirements for a choice customer to return to a utility that appropriately balance the cost to businesses, free-market principles, the cost to customers served by utilities, and ensuring that utilities are able to manage energy supply.

As you know, there are a lot of moving parts to the complex issue of deciding Michigan's energy future. We urge the committee to conduct due diligence on this critical issue.

Due to the effects on the Retail Open Access Program and competitive electricity rates in Michigan, we strongly oppose House Bill 4298.