

NO MORE P.A. 141?

House Democratic-sponsored legislation eliminating P.A. 141 (Electric Customer Choice) is not moving as smoothly as Representative Frank Accavitti (D-Eastpointe) planned.

In late August, Representative Accavitti, Chair of the House Energy and Technology Workgroup on Public Act 141, announced an agreement was reached to repeal the act.

Chuck Hadden, Michigan Manufacturers Association (MMA), outlined the components of the agreement before members of the workgroup. He explained the agreement was facilitated by his organization with support of the Big Three automakers, DTE and Consumers Energy.



Consumers Energy and DTE

claim a need to return to monopoly status in order to gain a stable customer base, and to allow for investment in a future power plant in the State.

Representative Mike Nofs (R-Battle Creek), a workgroup member, told Representative Accavitti he does not support the proposal and does not believe his House Republican colleagues do either.

The proposal is not likely to have the support of Senator Bruce Patterson (R-Canton), Chair of the Senate Energy Policy Committee. Governor Jennifer Granholm has not expressed her opinion on the issue.

The proposals put forth by Representative Accavitti eliminate Electric Customer Choice and return to a monopoly rate regulation.

The proposed energy policy changes require the Michigan Public Service Commission (MPSC) to:

- Adopt rates reflecting the cost of providing service to each customer class and take into account cost differences based on time of use and contribution to system peak demand.
- Establish the relationship between the charges per meter for the residential class and other classes and allow the Commission to establish a per meter charge to fund public good programs.
- Establish a rate schedule or approve special contracts for purposes of attracting new or expanding operations or retaining existing operations.
- Ensure proper allocation of PSCR costs so that energy costs are allocated on an energy basis and fixed capacity costs are allocated on a capacity basis and collected on a kilowatt-hour basis.

The proposal allows primary customers with an aggregate load of 5MW or greater to develop a self-managed, customized energy efficiency program as documented by affidavit to the program administrator.

Regarding renewables, if an RPS target is established, it should not be greater than 10 percent by 2015 and should be based on renewable and clean technologies.



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The Customer Choice Coalition opposes the measure, stating it will benefit some business customers at the expense of residential customers.

The AARP claims the proposal will raise residential rates by \$350 million.

Wolverine Power Cooperative believes a focus on renewable and cleaner energy and investment in the transmission grid is more beneficial than a repeal of customer choice changes.

A 34-page study paid for by the Michigan Municipal Electric Association (MMEA) and the utility union-based organization "Protect Michigan," focuses on former Michigan Public Service Commission (MPSC) Chair Peter Lark's 21st Century Energy Plan, which calls for a new coal-based power plant by 2015 and mandatory renewable portfolio standards.

Meanwhile, a group of Municipal-owned electric companies, who do not support electric choice, signed a letter of intent to purchase power from a proposed privately owned power plant.

An independent power developer, LS Power, is pursuing development of a 750-megawatt power plant in Midland that would serve Michigan. The Municipal Public Power Agency, the power supplier for municipal utilities, is proceeding toward the purchase of up to 250 megawatts of that power.

SIKKEMA WANTS TO FLIP THE SWITCH ON P.A. 141

Ken Sikkema, former member of the Senate committee that drafted legislation that became P.A. 141, now supports changes to electric choice.

Mr. Sikkema, currently with Public Sector Consultants (PSC), took part in a 34-page study concluding Michigan and other states adopting electric choice laws are now having trouble getting companies to invest in new power plants.

Mr. Sikkema said lawmakers were enamored by a concept in 2000 that more competition in the market would mean lower electricity prices.

Mr. Sikkema is not calling electric choice a failure, but he now says it is forcing electric providers to buy energy from expensive out-of-state wholesale markets and is creating uncertainty in the State's ability to generate its own electricity.

GRANHOLM SIGNS EARLY PRIMARY BILL

Governor Jennifer Granholm signed legislation (SB 624) moving Michigan's presidential primary to January 15, 2008. The language passed the House and Senate after agreement of an option to hold a semi-closed election was reached among the leaders of the Democratic and Republican parties in the State.



A recent poll from an Inside Michigan Politics/Marketing Resource Group statewide survey shows 76 percent of Michigan voters are likely to participate in the presidential primary, even though they are required to declare which party's primary they wish to vote in.

Voting rules in this primary are somewhat different than the process resulting in a voter backlash in the 1992 presidential primary. In 1992, voters were required to sign a declaration of party preference, however, this time; voters would simply sign a statement stating which primary they want to participate in on January 15th.

GOP CANDIDATES TO DEBATE IN MICHIGAN

Republican presidential candidates will appear in a debate October 9th at Ford Community & Performing Arts Center in Dearborn. CNBC and the Wall Street Journal will host the two-hour event. It will be broadcast at 4 p.m. and rebroadcast at 9 p.m.

PHONE TAX AWAITS HOUSE ACTION

Complete focus on hammering out a budget and resolving a \$1.8 billion deficit, puts legislation (SB 0410 and SB 0411) on “hold” on the House floor.

The House Appropriations Committee reported out bills placing an 81-cent tax on all telephone numbers to fund public safety programs.



Initially, the legislation carried a 29-cent 911 charge on all cell phones. Under the House version, the amount was reduced to a 19-cent tax on all telephones in the State. A new 62-cent tax was added with one-third of the money going to the State Police lab and the remainder being carved up among various law enforcement organizations and systems.

In return, the Republican-controlled Senate passed \$900 million in budget cuts, made some changes to HB 5194 and sent them to the House, which placed HB 5194 in conference committee and rejected the Senate’s budget cuts.

The Senate sent to the House a \$2.8 billion General Fund and \$1.05 billion School Aid continuation budget (SB 0772 and SB 0773) allowing the State to meet its financial requirements through October. However, Governor Jennifer Granholm says she will veto any continuation budget that does not include additional revenue.

Without a budget by October 1st, the State faces the prospect of a government shutdown. The House Fiscal Agency (HFA) issued a memorandum citing a section of the Constitution that states in absence of a properly passed budget, “there are no constitutional exceptions for expenditures for bond payments” or “essential services.”

Governor Granholm said shutdown is not an option, but her administration is preparing for such an eventuality. In addition, the Civil Service Commission scheduled a special meeting for Friday, September 28th to adopt a rule allowing the State to lay off workers for up to 20-days during a five week period.

CONTINUATION BUDGET OR CHAOS?

The new fiscal year begins Monday, October 1st and yet lawmakers and the Granholm administration have not reached an agreement on the 2007-08 fiscal year budget, or elimination of the \$1.8 billion deficit.

Several marathon sessions in the Democrat-controlled House failed to muster the necessary votes to pass an increase in the State income tax, a sales tax on some services or a graduated income tax.



Thus far, the House passed and sent to the Senate two “shell” bills (HB 5194 and HB 5198)

leaving the State income tax rate at 3.9 percent, giving veterans a \$250 deduction and providing breaks for disabled veterans.

POLL: SLIM MAJORITY WOULD CONSIDER RECALL OVER TAX VOTE

A survey conducted by Rossman Group/MIRS indicates that 51 percent of Michigan residents would “consider” recalling their State Representative or State Senator for voting for a tax increase.



Twenty-percent would “definitely” vote to recall, 11 percent would “strongly consider” a recall and 18 percent would just

“consider” such an option. Twelve percent said “probably not” and 32 percent said they would not consider a recall.

Democrats were much less likely to consider a recall than Republicans and there were more males than females on the recall side of the survey.

FIXES THAT FAILED TO FIX

Recent Citizens Research Council reports concluded that State taxes were, currently are, and will continue to be inadequate to support State spending patterns.

The report found Michigan used more than \$8 billion in one-time fixes to balance budgets between the 2001 and 2007 fiscal years.

The study, done in conjunction with the Upjohn Institute, indicates that without any changes in what the State spends its General Fund money on, spending pressures will increase 6.5 percent between now and 2017 while revenues are expected to increase 2.8 percent. Spending increases on the School Aid Fund are expected to grow 5 percent while revenue increases 3 percent.

CRC also projects that by 2017 the State will have .4 percent fewer residents, 14 percent fewer children, four percent fewer working-age people and 31 percent more seniors.

The full report can be viewed at www.crcmich.org by clicking on State Budget Analysis.

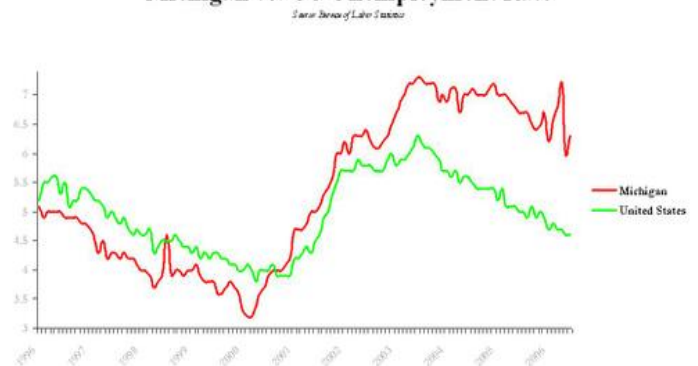
TRANSETH IS CONFIRMED

The Senate approved the appointment of Steven Transeth as a member of the Michigan Public Service Commission (MPSC). Mr. Transeth replaces former Commission Chair J. Peter Lark.

STATE JOBLESS RATE CLIMBS HIGHER

Michigan’s unemployment rate jumped to 7.4 percent in August, an increase of two-tenths of one percent. It is the highest monthly rate since September 1993, according to figures released by the Department of Labor and Economic Growth (DLEG). The State continues to lead the nation in unemployment. The national average remains steady at 4.6 percent.

Michigan vs. US Unemployment Rate



JUNG NAMED TO TRANSPORTATION COMMISSION

Governor Jennifer Granholm appointed Jerrold Jung of Birmingham as an Independent to the Michigan Transportation Commission. Mr. Jung, President of Michigan CAT and resident of Birmingham, is appointed for a term expiring December 21, 2009. He replaces Vincent J. Brennan, who resigned.

