

Lawmakers Take to Snowmobiles - Maybe

During Christmas Break, some State lawmakers and legislative staff were prepared to don winter gear, and climb onto snowmobiles for the 2006 Legislative Snowmobile Tour. Mother Nature, however, failed to cooperate by not delivering the snow.

Organized three years ago by then House Speaker Rick Johnson, now CFO of Fraser Consulting, the three-day nearly 600-mile trip from Grayling to Sault Ste. Marie and back is designed to showcase the importance of snowmobiling to northern Michigan's economy, as well as promote the general enjoyment of snowmobiling as a winter recreation.

"Some make the entire trip while others join or drop off at stops along the way," Johnson said, adding there are usually eight to twelve sleds traveling each day. "The annual trip, when the weather cooperates, generates a lot of media exposure along the way and gives us an opportunity to promote snowmobiling, not only as a fun winter recreation but to explain how important it is to Michigan's economy."

Scheduled to make the trip this year along with Johnson and members of the Michigan Snowmobile Association, were Senators Jason Allen (R-Traverse City) and Tony Stamas (R-Midland), House Speaker Craig DeRoche (R-Novi), and Representatives Tom Casperson (R-Escanaba), Kevin Elsenheimer (R-Bellaire), Geoff Hansen (R-Hart), Dave Palsrok (R-Manistee), and John Pastor (R-Livonia).

The tour begins in Grayling and winds its way through Lewiston, Atlanta, Millersburg and Onaway before stopping for the night in Cheboygan. From there it's on to Sault Ste. Marie with stops in Mackinaw City, St. Ignace, through Moran, Cedarville, Pickford, and Kinross.

On the return trip, the group travels through Paradise and Trout Lake before heading back through Mackinaw City and returning to Grayling.

Bill Manson, Executive Director of the Michigan Snowmobile Association said efforts are being made to schedule a shortened version of the trip at the end of January or early February if the legislators can work it into their schedules.

"The activity pumps over \$1 billion annually into the state economy," Manson said. "In fact, Michigan leads the nation in the number of registered snowmobiles."

There are 352,000 registered snowmobiles in the state with snowmobilers traveling nearly 250 million miles over Michigan terrain in a three-month period. While most of the snowmobiling is done for fun and recreation, snowmobiles are a mode of transportation for many Upper Peninsula residents in the wintertime when snow depths usually range from three to seven feet.

According to Manson, some 250,000 snowmobile trail permits are sold every year. Michigan has more than 6,200 miles of trails.

Recently, Governor Jennifer Granholm expanded trail access for snowmobile operators when she signed into law legislation that would allow snowmobilers to travel along Interstate I-75 between St. Ignace and Sault Ste. Marie. It could, however, take more than a year to design a safe snowmobile route along the expressway.

Murray Is Marching To Meijer

Grand Valley State University President Mark Murray has announced he will leave the University this summer to become president of Michigan-based Meijer retail stores.

Although the former State Budget Director and State Treasurer has no retail experience, Murray has served on the company's Board of Directors for just over a year.

Murray initially considered dismissing the offer, but called the challenge an opportunity that "comes about once or twice in a lifetime."

The GSVU Board of Trustees will convene soon to determine a process for replacing Murray.



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New Legislation Would Protect Electric Choice Customers

Legislation will soon be introduced that would force Michigan's two largest electric utility companies to provide their Choice customers the power they are paying for. Choice customers are those who purchase their electric service from alternative electric suppliers.

Specifically, the legislation would allow Consumers Energy and Detroit Edison electric Choice customers to use securitization and other generation-type payments to purchase power from the utilities' generating plants. Those plants are subsidized through securitization and stranded cost fees paid by Choice customers.

Should the legislation pass the House and Senate and be signed into law, Choice customers would get an amount of power with a value equal to the amount that Choice customers are paying for utility generation costs, but not currently receiving. Utilities would still receive enough money to pay their costs including securitization charges.

Presently, utility stranded costs are destroying competition.

In 2000, when Public Act 141 was passed, the market price of power was so low the excess utility power freed up by customers leaving for Choice could not be sold at a price that covered the total utility generation costs including, particularly, nuclear plant costs. (Example: If it cost a utility 4 cents per kilowatt to generate power, the power could only be sold for 3 cents per kilowatt leaving a penny of stranded costs.)

As a result, passage of Public Act 142 allowed both Detroit Edison and Consumers Energy to securitize the cost of their nuclear plants and force ALL customers, including Choice customers, to pay the cost of nuclear

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plants through securitization charges even though Choice customers did not receive power from these plants.

Currently, Choice customers on the Consumers Energy system are paying over \$13 million per year in stranded costs or about 5-6 percent of the price of power. Detroit Edison Choice customers are paying about \$40 million per year or about 10 percent of the price of power.

Now, Consumers Energy and Detroit Edison are proposing new Regulatory Adjustment Charges (RAC) that would add an additional 10 percent to 20 percent to Choice customers' bills – a move that would protect the utilities from competition, while charging above cost rates!

The combined utility securitization, stranded cost and proposed RAC would make it impossible for Choice customers to purchase non-utility power and still save money.

Although higher market prices and load growth have eliminated utility stranded costs, those stranded cost charges are still in place.

Since 2000, the market price of power, the price at which utilities can sell excess power, has risen dramatically. If a customer leaves utility service, the power not needed by that Choice customer is sold at a price that would cover any stranded costs.

In addition, utility load growth since 2000 has been so substantial that utilities are now claiming they must add new generation capacity as soon as possible despite the loss of some load to competition. If new generating plants are needed, existing utility generating plants cannot be

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New Legislation Would Protect Electric Choice Customers

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stranded, because all the output from utility generating plants is needed by existing customers.

Today, if it costs utilities 4 cents per kilowatt to generate power, that power can be sold for 5 cents per kilowatt with utilities making a penny profit. Yet, both Detroit Edison and Consumers Energy continue to collect stranded costs from Choice customers.

Late last month, the MPSC approved cutting rates for Detroit Edison's commercial and industrial full service customers, beginning with the February billing, and approved a new economic development rate designed to attract new industrial development to Michigan.

In addition, distribution charges for Choice and bundled customers should be brought into parity with commercial and industrial bundled customers, to see a 4 percent rate reduction. However, because Choice customers have their own contracts, it is not known how they will be affected.

Granholt Signs \$600 Million Tax Cut; Manufacturers Benefit

A \$600 million tax cut with no offsetting revenue increases over the next four years for Michigan manufacturers has become law.

In putting her signature to the legislation, Governor Jennifer Granholm said the measures "represent the ability to fight as a state to keep good manufacturing jobs in the state" and in a year-end roundtable with news reporters, Granholm said she "would go anywhere and do anything" to bring jobs to Michigan.

In the closing days of the 2005 legislative session, Republican leaders and Governor Granholm reached agreement on the tax cut package after the Governor earlier vetoed tax cut bills that accompanied the 21st Century Jobs Fund Initiative.

The final tax cut package includes a 15 percent refundable credit for taxes paid on industrial personal

property, available to firms whether or not they are required to file a Single Business Tax (SBT) return, a 100 percent personal property tax credit for any business that moves to or expands in Michigan, and an adjustment in the sales apportionment factor to 95 percent by 2008.

The tax cut, coupled with the 21st Century Jobs Fund Initiative outlined in the December issue of UPDATE, is what the administration and lawmakers hope will provide a kick start to Michigan's continuing poor economic situation.

However, James Epolito, head of the Michigan Economic Development Corporation (MEDC) told reporters that although the 21st Century Jobs program will create "hundreds of new jobs in the next two to three years and "thousands" by year five, a change in attitude about the economy is needed as well, because "we are our own worst enemy."

The jobs fund and tax cut are not the last in the legislative efforts to improve Michigan's job status. Senate Majority Leader Ken Sikkema (R-Wyoming) called them "a good first step" with tax cuts for small businesses being at the top of the legislative agenda this year, however Governor Granholm says tax restructuring, not tax cuts will rule the day.

State Business Rating Improves

Despite all of Michigan's economic problems, *Site Selection Magazine* believes the State's business climate is improving. The magazine advanced Michigan to eighth place in its business climate rankings for 2005. This is up from the 15th spot in 2004.

The magazine ranked Michigan first in proprietary new plant database from 2002-2004, first in new plants per million, second in new plants in 2004, third in new plants per 1,000 square miles, and 18th in the executive survey portion of the ranking.

Rankings are based on results of an online survey of corporate real estate and states' business expansion activity.



21st Century Jobs Fund Board Members Appointed

Eighteen members of the newly created Strategic Economic Investment and Commercialization Board (SEIC) shoulder the responsibility of implementing the \$2 billion 21st Century Jobs Initiative along with the Michigan Strategic Fund Board (MSF).

A. David Canter, Senior Vice President of Pfizer Global Research & Development, will chair the SEIC.

The SEIC has independent responsibility for grants and loans, while the MSF is responsible for allocating money for capital investments, commercial lending, and commercialization development.

Special Elections Are Scheduled

A special election to replace former Senator Virg Bernero (D-Lansing) in the 23rd District Senate seat has been scheduled for March 14th with the primary election, if needed, set for February 21st. Bernero took over the reins as Lansing Mayor on January 1st.

Governor Granholm has decided to wait until the regularly scheduled August 8th primary and November 7th general election to fill vacancies in the House created by the resignation of former Representative Charles Phillips (D-Pontiac), who became Pontiac Mayor on January 1st, and the death of Representative Herb Kehrl (D-Monroe).

The odds are in favor of Representative Gretchen Whitmer capturing the 23rd District Senate seat. The 29th House District seat in Oakland County is heavily Democratic.

John Manor, who lost to Representative Kehrl for the 56th House District seat in Monroe County, has continued to campaign in the district setting himself up as the likely GOP candidate again this year.

State Of The State Address Date Set

Governor Jennifer Granholm is scheduled to deliver her fourth State-of-the-State address the evening of Wednesday, January 25th, before a joint session of the House and Senate at the State Capitol in Lansing.

Governor Beefs Up Policy Staff

Gary Garbarino and Ben Kohrman have joined the policy staff of the Granholm administration. Garbarino, a longtime Democratic staffer who came to the legislature in 1984 as a staff economist is now the Policy Director for Governor Jennifer Granholm. He served in that capacity for House Democrats as well as working for several Democratic House leaders.

Kohrman most recently served as Director of Communications for the Department of Transportation. He will deal with transportation policy issues in the administration.

Senate Dems Select Schauer

The Senate Democratic Caucus has elected Senator Mark Schauer (D-Battle Creek) to succeed Senate Majority Leader Bob Emerson (D-Flint) as the Caucus Campaign Chair. Senator Emerson is term-limited at the end of this year and stepped down from his campaign chair position. Senator Schauer defeated Senate Minority Caucus Chair Ray Basham (D-Taylor).

Hollister To Depart DLEG

David Hollister's last day as Director of the Department of Labor and Economic Development is Friday, February 3rd. Hollister has announced he is leaving the job he has held for more than three years to head a new non-profit mid-Michigan area economic development group.

Governor Jennifer Granholm, who says she hopes to have a replacement before Hollister leaves, said she is looking for someone with experience in retraining workers. "Michigan right now needs an emphasis on training people, training people that have been displaced or outsourced in positions available in Michigan's economy right now," Granholm said.

The new organization Hollister will be leading, Prima Civitas (Latin for First City), is scheduled to begin in March with MSU, Lansing Community College and the City of Lansing launching a 501(c)(3) foundation that has a goal of raising \$4 million aimed at rebuilding the area's economy and becoming competitive with Automation Alley in Oakland County and high-tech job efforts in Ann Arbor and Grand Rapids.