

From: Steven Transeth <transeths@gmail.com>
Sent: Wednesday, March 12, 2014 4:22 PM
To: Rep. Aric Nesbitt Office (District 66); Rep. Mike Shirkey (District 65); Rep. Rep. Ray Franz; Rep. Brad Jacobsen; Rep. Rick Outman; Rep. Amanda Pettalia; Rep. Wayne Schmidt (District 104); Rep. Dale W. Zorn; Rep. Jos (District 51); Rep. Dan Lauwers (District 81); Rep. Martin Howrylak (District Thomas Stallworth (District 7); Rep. Rudy Hobbs; Rep. David Nathan (District LaVoy (District 17); Rep. Marilyn Lane; Rep. Charles Brunner; Rep. Henry 25); Rep. Collene Lamonte (District 91); Rep. Phil Phelps (District 49); Da Petroskey; Leah Wawro
Subject: Electric deregulation: Fact vs. Fiction
Attachments: Separating fact from fiction.doc

Dear Chairman Nesbitt and Committee members:

On March 4, 2014, Rep. Mike Shirkey sent you a letter sharing what he characterized as the three key points for you the debate surrounding HB 5184. In preparation for the upcoming hearings this month it is important we separate fact and the following is offered for that purpose:

1. **Electric deregulation by any other name is still bad policy.** Rep. Shirkey would like you to believe that dangerous dismantling of our current electric delivery system that will jeopardize the viability and health of two important corporate partners in Michigan's economic recovery. Rep. Shirkey claims HB 5184 merely promotes "generation" and that Consumers and Detroit Edison (DTE) will define the process – implying no harm, no foul.

- **FACT:** Divestiture of generation by incumbent utilities has been the single biggest mistake made have deregulated (i.e. the California debacle). Just ask the customers, employees and shareholders of TXU in Texas. *"It appears as if the former TXU, a major Texas utility, will become the 10th largest American utility and the possibility that this was avoidable needs to be considered."* (Forbes – Feb. 21, 2014)

2. **Those who cannot remember the past are condemned to repeat it.** The only side that has been using "facts" with anecdotes and inferences to cause and effect" are those pushing for deregulation.

- **FACT:** Not a single state has deregulated in 14 years.
- **FACT:** Nine states have retracted, suspended or re-regulated since 2000.
- **FACT:** The average electric rates in the 14 deregulated states and the District of Columbia are 25% higher than in regulated states. (U.S. Dept. of Energy – Energy Information Administration)
- **FACT:** Consumer advocates from 10 states (including Illinois) have requested the federal government investigate the historic price spikes of unregulated providers in January that *tripled and quadrupled* energy prices – a demonstration of the perils of the volatile deregulated markets.
- **FACT:** According to a recent independent analysis, Texas (a state with both regulated and deregulated markets) deregulation has cost Texans about \$22 billion or \$4,500 per household. (Texas Monthly)

3. **Electric reliability.** It is ridiculous to imply that the members of the Coalition (i.e. MI Chamber and Manufacturers Association) are strong proponents of, or don't understand, free markets. What we do understand is the complexity of this essential role it plays in supporting our economy.

- **FACT:** States that have deregulated have faced reliability concerns and are confronting challenges with new baseload generation investment and keeping existing generation in service.
- **FACT:** Texas, with its emerging economy, has been hit particularly hard. This past summer and in January, the Electric Reliability Council of Texas announced rolling blackouts may be necessary because of insufficient capacity. (Associated Press - January 6)

In his letter, Rep. Shirkey also touted a recent report about Illinois. **This report should be viewed with great skepticism.**

- **FACT:** The claimed savings are grossly exaggerated and based on faulty projections.
- **FACT:** The report's claims include the rate freeze that was imposed for 10 years.
- **FACT:** Every year since 2007, when deregulated rates were allowed to fully take effect, Illinois rates are *higher* than they were before deregulation. Deregulation has not reduced Illinois' rates.
- **FACT:** Illinois now is struggling to support the baseload generation that ensures reliability. Exelon may have to close three nuclear plants due to the failures of the deregulated market. Either ratepayers or taxpayers will pay the cost to keep these plants open. (Crain's Chicago Business Report)

The decisions you are going to face regarding this issue will have an impact on Michigan's economic recovery for decades to come. Let us make sure we make the right decision for our energy future.

Sincerely,

Steven A. Transeth
 Director of Energy Policy (MJEC)