

**Comments of Steve Kurmas
President and COO, DTE Energy
Michigan House of Representatives
Energy & Technology Committee
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Chairman Nesbitt ... Vice Chairman Shirkey and Vice Chairman Stallworth ... members of the committee, good morning. My name is Steve Kurmas. I am president and chief operating officer of DTE Energy. It is an honor to be with you this morning. I want to commend you for your commitment to examining how best to meet Michigan's future energy needs.

This morning, I would like to focus on four areas: 1) rates; 2) customer satisfaction; 3) the need to invest in Michigan's next generation of power plants; and 4) how control of Michigan's energy future could slip away from Michigan to Washington and regional entities.

Let's start with rates.

First, deregulation has NOT reduced rates. In fact, rates are, on average, 25 percent LOWER in regulated states. HB 5184 would not help lower Michigan's electric rates. Second, electric bills for the vast majority of Michigan consumers are lower than the national average ... roughly 12 percent lower.

Energy marketers and HB 5184 supporters have been doing a lot of talking about rates. DTE is doing something about them. First, we have kept operations and maintenance costs at or below where they were in 2007. Second, in January we reduced our rates by \$300 million, a roughly 6 and half percent reduction on an average bill. We are on track to see another reduction next January. And our long-term goal is that our customers' rates in 2018 will be no higher than they were in 2013. Third, because we recognize that electricity is inherently more important to some industries, we are committed to working with you, the MPSC and other stakeholders to help these Michigan businesses compete. Our goal in this effort is to stay consistent with the cost of service principle.

While rates, on average, are not lower in deregulated states, customer satisfaction IS. Illinois is a good example: Illinois is in the bottom 20 percent of residential customer satisfaction, with Exelon ranking even lower, in the bottom 15 percent. DTE Energy, by the way, ranks near the top 25 percent.

Moving on to the need to plan for the next generation of Michigan power plants ... we are currently planning to invest billions of dollars going forward to meet Michigan's future needs for safe, affordable, reliable electricity. As you heard last week, states that have deregulated power generation have been unable to commit to future projects.

Maryland, New Jersey and Texas were cited as examples of where this has played out. Their policymakers continue to try to fix a situation in which investors have voted with their dollars, withholding investment in in-state generation.

You also heard a lot about Illinois. But, deregulation is not working in Illinois, just as it is not working elsewhere. Nearly 90 percent of that state's coal and gas plants have been bankrupted or have faced severe financial distress. Exelon also recently announced that it may close up to three nuclear plants in Illinois. Their own Chief Executive has said publicly that deregulated markets are dysfunctional and he is now seeking a "better energy policy."

If House Bill 5184 is enacted, DTE Energy will not invest in additional generation in Michigan. We have seen the havoc that this proposed policy has caused in other states. It would not be responsible for us to invest in such markets. And that brings me to my third point: addressing the fundamental question about where responsibility for our state's energy future best resides.

In a deregulated market, decisions about building generation are left to merchant generators. They will build only if they expect to make substantial profits. The Federal Energy Regulatory Commission and regional grid operators have been attempting to adjust the rules of deregulated markets by modifying price caps, price floors and other schemes in an unsuccessful attempt to make the markets work. This dysfunction in the wholesale electric market has led to a struggle to get plants built and is now leading to plant closures.

Dominion closed down its Kewaunee Nuclear plant last year. Edison Mission Energy recently announced the bankruptcy of its Illinois coal-fired fleet. And, as I mentioned, Exelon has announced it was preparing to close several well-functioning nuclear plants. These are just the most recent examples.

Do we want to trade away Michigan-focused policies for a market that requires the constant tinkering of the federal government and regional entities ... especially when electric deregulation has failed to deliver on its promises?

As you have just heard from the MISO representative, coal plants are being retired across the Midwest. We will also be affected in Michigan. How will the power from those plants be replaced and where will new plants be built? This is especially important when you consider that merchant power producers are not building net new capacity across in the country. In deregulated states, this has caused price spikes and extreme volatility. Imagine applying what has happened with propane prices in northern Michigan this winter to electricity across all of Michigan.

In closing, I am reminded that this is a debate that has been going on in our state since the mid-1990s. Since 2000, Michigan and other states across the country have adopted deregulation as an experiment in the pursuit of promises that everyone assumed would flow from deregulation. More than a decade of experience around the country has demonstrated that

electric deregulation is a failure. Is it any wonder that since 2000 not one state has adopted a deregulated model while a number of others have stepped back from it?

Energy deregulation is being promoted by the one group that will win under this scheme - a small group of energy marketers who see dollars signs in the current gap between artificially low wholesale power prices and regulated rates. I propose that these marketers do not have the same level of commitment to Michigan's long-term interests as its utilities.

As president and COO of a company that traces its utility heritage to 1849, I can say that we are committed to this state for the long haul. If we really believed that HB 5184 was in Michigan's long-term best interest, we'd support it. But it isn't and we don't.

My commitment to you is that we are going to continue on our journey to become the best-operated energy company in North America. We believe in a system of responsible regulation that provides the ability for us to invest and power Michigan's energy future.

Thank you, Mr. Chairman ... members of the committee, for this opportunity to address you today. I would be happy to answer any questions you may have.

