



Testimony in the House Energy and Technology Committee on HB 5476 (Stamas)

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Mr. Chair, thank you for the opportunity to speak today in support of HB 5476.

The Michigan Manufacturers Association represents over 2,400 members in the largest sector of the Michigan economy, which employs over 560,000 people. While we represent some the largest companies in Michigan, 85% of our members employ less than 100 employees.

The manufacturing sector is different from other sectors of the economy in two fundamental ways, for the purposes of this discussion. First, the manufacturing sector competes on a global scale. We don't just compete across the street, or across county lines, we compete across state lines and across the globe. In fact, we compete with the lowest cost location anywhere in the world. Secondly, manufacturers tend use more power than other customers, and do so in a more predictable and steady manner than other sectors of the economy. So, manufacturers tend to be less expensive to serve.

One of the primary tenets of the 2008 legislation was the move to cost of service rates. For decades Michigan's energy policy did not include the concept true cost of service. As a result, manufacturers paid a much larger portion of the electric system than they used. The 2008 legislation moved in the right direction, but as we look at the cost of service provisions now, we don't think the legislation went far enough to achieve its goal of de-skewing rates and ensuring industrial customers do not pay more for the system than is required to serve them. We believe there is more work to be done to get to true cost of service rates. The issue of rate design is exceedingly complex, and I do not pretend to be an expert, but we appreciate the opportunity bring experts together to look closer at the issue.

As you all know, Michigan's electric rates have risen significantly, and industrial rates are higher than the Midwest average and higher than the national average. Rates remain a significant concern for manufacturers as they hinder our ability to compete effectively with manufacturers in other states and nations.

This bill creates an opportunity to bring knowledgeable and interested parties together to figure out how to better achieve a true cost of service. The legislation actually forces parties to the table

including both customers and utilities. It creates mandatory timeframes, and requires the Public Service Commission to use its deliberative and public processes to find a solution and move Michigan to a true cost of service for large and small industrial customers.

We thank Rep. Stamas for introducing this bill and placing timeframes for resolution to this issue. We appreciate the administration's efforts to bring stakeholders together and work towards a solution.

We encourage you to support this bill and move Michigan's energy policy to a true cost of service.

Thank you.