

## Glenn Bill Would Set Utility Profits According To The National Average

The House's point person on energy issues said today the profits of utility companies in Michigan have exceeded the national average and need to be more tightly regulated.

The Public Service Commission (PSC) determines utility companies' profit levels, referred to as "return on equity" (ROE).

But Rep. Gary **GLENN** (R-Williams Twp.) contended today in his House Energy Policy Committee that Consumers Energy and DTE Energy profits have exceeded even what has been approved by the PSC, and there presently is no system in place for returning those excess profits to ratepayers.

Glenn testified in support of 🐾 **HB 5194**, which he sponsored, to require that the ROE for Michigan utility companies be set based on the national average for utility companies. Further, when utilities make excess profits, the PSC would be required to issue a show cause order asking them to explain the over-collection and refund the money to ratepayers.

"We could choose, which is totally within our control as policymakers, to pass a law saying it will be the national average instead of leaving it to the discretion of the Public Service Commission, which set the current rate of return on equity that exceeded the national average," Glenn told the committee. "Those who are concerned about this issue say they have exceeded even what was approved by the Michigan Public Service Commission by a quarter billion dollars in the last 10 years.

Rep. Donna **LASINSKI** (D-Scio Twp.) asked Glenn if his bill indicates that he believes that the PSC, a three-member panel established by the legislature and appointed by the Governor, is not working.

Glenn responded that it looks like to him that the utilities are asking for "100 percent" rate increases when they really want "80 percent" because they know that's where the PSC will land.

"I am concerned that they give indication of having become a captive regulator," he said.

Consumers Energy and DTE did not get to testify on the bill today. Glenn said their representatives would be given an opportunity to respond on March 20 when the committee takes up the issue for more testimony.

Lasinski urged the Glenn to also invite the PSC to testify.

"Consumers Energy does not support House Bill 5194 because it is unnecessary, impractical and counterproductive for companies who wish to invest in Michigan's economy," said Consumer spokesperson Katie **CAREY** in response to the hearing. "Our company's return on equity is a critical element in attracting capital to the state, which directly supports investment in necessary infrastructure including: updates to our power plants and installation of poles, pipes and wires which ensure we can continue to deliver safe, reliable and affordable energy to our customers."

PSC spokesperson Nick **ASSEDELFT** responded by pointing to recent sample rate cases. In July 2017, Consumers Energy Gas was approved for a \$29.2 million rate increase, but Consumers asked for a \$90.5 million rate increase. The "return on common equity" was 10.1 percent, he said.

In February 2017, the PSC authorized Consumer electric rates to increase \$113.2 million. But Consumers had asked for an increase of \$225 million. The ROE there was 10.1 percent, as well. Assendelft said he did not know what the national average was.

Assendelft said "The PSC follows a deliberative process over the course of many months that allows numerous opportunities for stakeholder and expert input to eventually come up with a final result that is fair to ratepayers and utilities."

Bryan **BRANDENBURG**, a former Assistant Attorney General who represented the PSC and now works with the Association of Businesses Advocating Tariff Equity (ABATE), said utilities elsewhere operate on lower profits.

The ROE for Northern States Power in Minnesota is 9.41 percent. Northern States Power in Wisconsin operates on a 9.8 percent ROE. Virginia Electric & Power has a 9.4 percent ROE. Kentucky Utilities Company operates on 9.7 percent ROE.

"The excess revenue that these utilities are bringing in is staggering," Brandenburg told the committee, "and utilities across the nation are getting by and providing service at this national average rate yet our utilities in Michigan are somehow commanding additional return on equity . . . Every single time, dating back to 2005 and 2006, our Michigan Public Service Commission has authorized a return on equity rate in excess of the national average. And I should mention that in every one of these cases, the utilities proposed a ROE that we even higher than that."

Brandenburg also compared stock prices for Michigan utilities as evidence of excessive profit. He noted that the Dow Jones Industrial Average and the S&P 500 have risen 82 percent since 2008. In the same time, DTE stock has climbed 146 percent. CMS Energy, which owns Consumers, has seen stock prices rise 201 percent.

Rep. Joseph **BELLINO** (R-Monroe) called that comparison "bullshit."

"You know the herd mentality. When stock prices start going up, a lot of people pull their money out to get to something safe, which leads to more people pulling their money out to get to something safe. DTE's going up because we know it is a safe company," Bellino argued.

Brandenburg countered that if that was true, utilities elsewhere would see the same stock price increases. But the Dow Jones Utility Average in the same time period is up only 44 percent, Brandenburg said.

Glenn told the committee that even after the PSC has authorized high profit rates for utilities, the companies have actual profit margins that are higher yet. He explained that occurs when the utilities estimate costs prior to a rate request, but enact cost cutting measures after rate hikes have been approved.

"Under Michigan's monopoly system," Glenn said, "electricity utilities are guaranteed 90 percent of the market and roughly 10 percent annual profit. Historically, the utilities have made more profit than authorized, and there is no mechanism to have some of that money returned to ratepayers."