

Utilities' Ratemaking Ability Challenged In Hearing

DTE and Consumers Energy would be restricted to using historical data in setting its rates, as opposed to using projected costs and revenues, under legislation that had its first House Energy Policy Committee hearing this morning.

The Association of Businesses Advocating Tariff Equity (ABATE) trumpeted Rep. John **REILLY**'s (R-Oakland) 🐾 **HB 6074** as a way to reduce customers' electric bills by stopping the utilities' ability to overwhelm state regulators with hundreds of pages of projections and assumptions that presumably allow them to charge more than necessary.

"The question at the heart of this matter is whether rates should be set based on science or speculation," Reilly said. "A monopoly utility has the profit incentive to pad its projections by every means conceivable to request the highest rate possible, and current law puts no conditions upon these projections."

Representing ABATE, Bryan **BRANDENBURG** said the legislation would put Michigan's policies in line with two-thirds of the states. It would allow the Michigan Public Service Commission to consider any recent or anticipated charges in the market when setting rates.

He claimed that DTE and Consumers don't have competition to keep their rates in check so they use this "loophole" to shift the risk from themselves to ratepayers.

Rep. Donna **LASINSKI** (D-Scio Twp.) pushed back on Brandenburg's claims by noting that the MPSC, ABATE, the Attorney General or anyone else has the opportunity to challenge any of the assumptions a utility makes in a rate case. If an assumption is proven wrong, the MPSC doesn't have to approve a corresponding rate adjustment.

Brandenburg said the number of assumptions that are made in a rate case is too voluminous for ABATE or even the MPSC to get through. Lasinski said ABATE wanted to make her "feel sorry" that they couldn't complete the analysis they wanted.

Brandenburg replied, "If we should feel sorry for anybody, it's the ratepayer."

Steve **TRANSETH**, a former MPSC commissioner and current consultant for DTE and Consumers Energy, said 🐾 **HB 6074** would result in higher rates because it would slow down intensive capital improvements and the implementation of such programs as net-metering.

The billions of dollars the utilities need for power plants isn't sitting in a vault somewhere. If they aren't able to pull together the capital needed, the project doesn't get off the ground, he said.

"Is this perfect?" Transeth asked. "No, it's projections, but the Commission won't allow a utility to make windfall profits."

Neither DTE nor Consumers Energy put in a card to testify, but Consumers spokesperson Katie **CAREY** said that for Consumers to deliver safe and affordable energy to its customers, it must upgrade its poles, lines and other equipment. Major upgrades are needed.

"We oppose this legislation because it would create a disconnect between necessary utility investments and ratemaking practice," Carey said. "The forward test year is an accepted ratemaking practice and should be maintained."

The hearing was the latest in a series of wish list bills advanced by Energy Policy Committee Chair Gary **GLENN** (R-Thomas Twp.) as ways to lower ratepayer costs. He said it's his goal to take a vote on the bill in the future, but didn't specify when that might be.

He acknowledged the bill would have a tough road in the Senate or in front of the governor, but said he felt it important to bring up the subject to the committee so returning members can pick up the ball next year.