

October 8, 2015

Senator Mike Nofs, Chairman, *and*
Members of the Energy and Technology Committee
P.O. Box 30036
Lansing, MI 48909

Re: Comments on Michigan Senate Bill 437

Dear Senator,

AARP is a nonprofit organization that helps people over the age of 50 to exercise independence, choice, and control in ways beneficial to them and to society as a whole. AARP, which are 1.4 million in Michigan, many of whom are on low or fixed incomes, supports affordable, reliable utility service.

SB 437 proposes to significantly change the regulatory regime under which Michigan's utilities operate, directly affecting the cost and reliability of utility service to our members in the state.

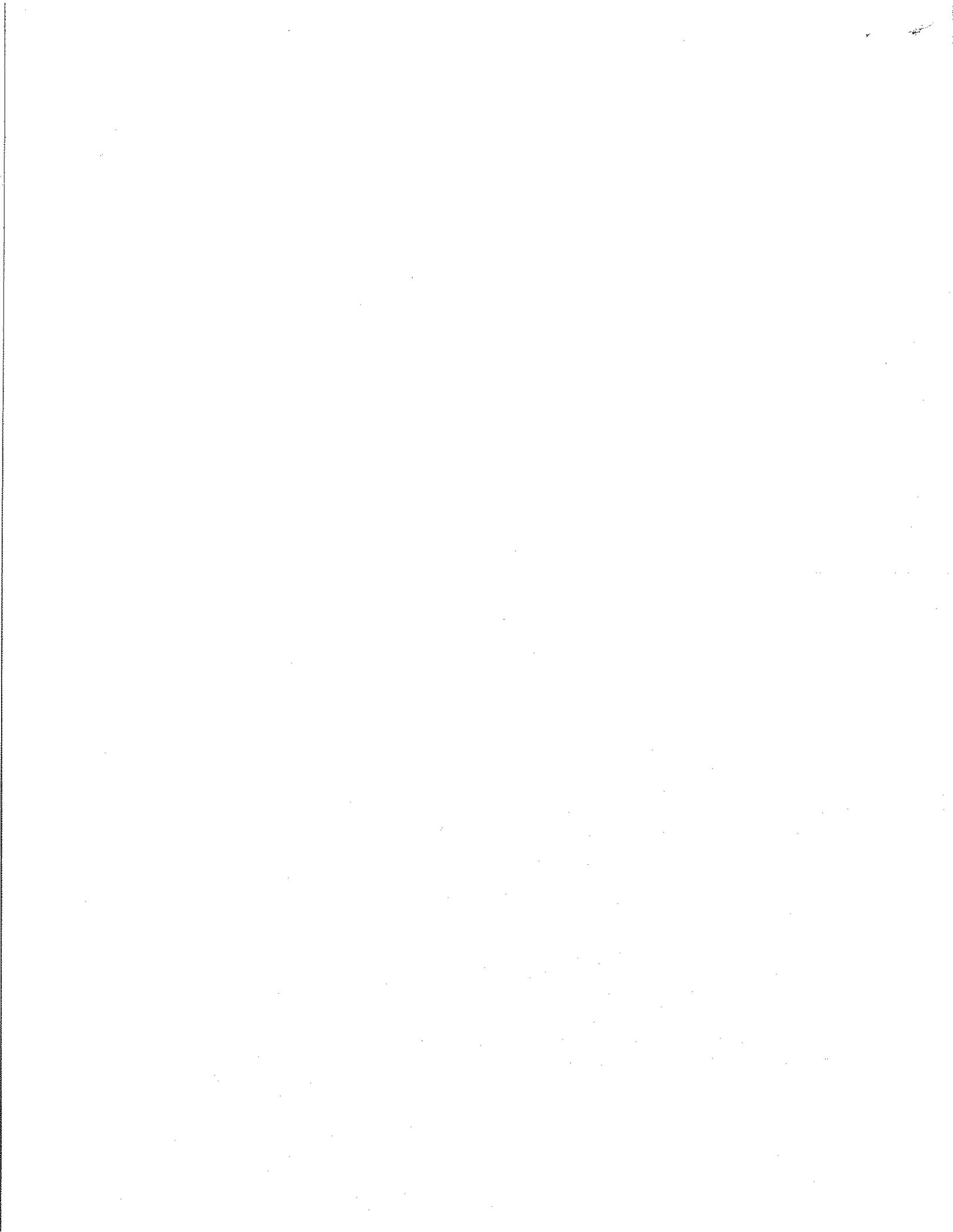
AARP Michigan supports the leadership and foresight of Governor Snyder, MAE Executive Director Brader, Senator Nofs and others to develop a Michigan-made plan to deal with the many and complex issues associated with our state's long-term energy future. In this effort we wish to emphasize the importance of gathering input from all interested stakeholders, including consumer advocates such as AARP, to maximize the level of understanding and support for the process and its outcomes. To that end we wish to provide the following points for consideration regarding SB 437 as it is currently written:

SB 437 authorizes the Michigan Public Service Commission to allow gas or electric utilities to adjust their rates for actual sales volumes compared to the projected levels used in their most recent general rate case. This is known as revenue decoupling. The legislation gives deference to the utility's proposal. AARP Michigan is highly skeptical of such an isolated process outside of a general rate case proceeding. Ratemaking is a very complex process with many inputs. To focus on one especially key input to the exclusion of others would likely result in negative customer impacts and a shifting of business risk from utilities onto consumers. At a minimum the existence of such an option for a utility should be reflected in a lower authorized return on equity due to its reduced level of risk. This process can also be counter-productive to the goal of energy conservation because it can deprive consumers from receiving the full savings of their conservation efforts. More importantly, revenue decoupling allows rates to increase whenever sales drop even if not related to conservation (such as a cool summer or downturn in the economy). With the highest rates in the Midwest, Michigan should not legislatively mandate further automatic rate increases.

If you have any questions, please contact Melissa Seifert, AARP Associate State Director for Government Affairs at 517-267-8934 or mseifert@aarp.org.

Respectfully,

AARP Michigan



Michigan energy planning should not be rushed



A Consumers Energy wind farm in Tuscola County and a DTE Energy coal-fired plant in Monroe. The writers say the EPA's Clean Power Plan offers time to talk through differences, find common ground and make the adjustments to achieve both jobs and justice in Michigan. (MLive.com files (wind) /AP files)



By **Guest writer**

on October 01, 2015 at 10:30 AM, updated October 01, 2015 at 10:32 AM

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Robert Kaslik is a retired executive of MichCon (Michigan Consolidated Gas, now DTE Energy), where he was controller and director of regulatory affairs. He is an AARP volunteer who lives in Washington, Michigan.

By Robert Kaslik

In testimony given on Sept. 17 regarding **Senate Bill 437** before the Senate Energy and Technology Committee, David Mengebier, a senior vice president for Consumers Energy, listed a number of potential risks to Michigan's electricity market and stated: "**It is imperative** that we get a fair Michigan policy in place this fall."



Robert Kaslik

Mengebier, who wrote an **op-ed** on this topic for MLive on Sept. 15, also stated that it would be inadvisable for new generating capacity developed under that policy to come from outside the state, implying that the Legislature should limit the options available to Michigan's utilities and, therefore, their customers under the Integrated Resource Plan process for new capacity, as proposed in S.B. 437.

Several points need to be made in response:

There is no need for a rush to judgment. According to the latest survey conducted by the **Midcontinent Independent System Operator** (MISO), there has been a significant improvement for 2016 requirements from the 2014 survey (from a 2.3 GW shortfall to a 1.7 GW surplus) "primarily due to an increase in resources committed to serving MISO load and a decrease in load forecasts."

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MISO Executive Vice President Clair Moeller further stated, "However, it is important to note that more work remains to be done. While the near-term picture has improved, the longer term forecast requires continued vigilance to ensure there are adequate resources." Mr. Mengebier's fears seem to be an overreaction; there is time to thoroughly consider the bill's effects.

Michigan's retail electric residential rates are among the highest in the region. This is a burden for all Michiganders, but especially for the over-50 community — many of whom are on fixed incomes. A debate on how the bill's provisions are likely to affect Michigan utility customers' costs is essential.

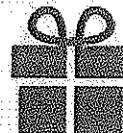
Out-of-state power has been and must continue to be an essential part of Michigan's potential energy mix, even if only as an option. Flexible markets are essential if buyers and sellers are to have meaningful options. Restrictions on those markets that would exclude out-of-state bidders would reduce competition and increase costs to Michigan customers. Other states will benefit at Michigan's expense.

Consumers Energy shareholders' views were well represented by Mr. Mengebier. And that is essential. It is equally essential to hear directly from groups representing the people who will be paying the bills. The time schedule proposed by Mr. Mengebier would preclude that part of the discussion.

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