



MEMORANDUM

To: House Energy and Technology Committee Members
From: Michigan Retailers Association
Subject: Electric Choice
Date: February 5, 2013

The biggest expense for retailers, aside from labor and inventory costs, is electricity, and our current monopoly-based system is only causing electricity costs to rise. Electric choice legislation increases competition by allowing businesses and residents to obtain electricity from alternate suppliers. Currently, over 10,000 businesses are on a waiting list to access the competitive market, but they are prevented from doing so due to the 10 percent cap. The legislation would save those businesses alone an estimated \$170 million per year on electric costs – money that could be reinvested to grow Michigan’s businesses.

A 2012 report prepared by Dr. Jonathan Lesser, president of Continental Economics, Inc., and sponsored by Energy Choice Now, titled “Retail Electric Competition in Michigan: Growing Michigan’s Economic Garden,” found that by raising the current 10 percent cap on competitive electricity in Michigan, costs for businesses and consumers would drop, stimulating economic growth and creating thousands of new jobs for Michigan residents. The report documents how a lack of competition in Michigan, a result of 2008 legislation that capped competition at just 10 percent of total electric use, contributed to a steady and significant increase in electricity rates by the state’s two largest utilities, Detroit Edison (DTE) and Consumers Energy (CE).

Between 2000 and 2008, when all Michigan consumers were able to choose their own electric supplier, the gap between Michigan retail electric rates and those of neighboring and competing states began to close, and rates in Michigan fell below the national average. During that time, Michigan Retailers Association was able to offer retailers a 10-15% savings on their electricity costs before the 10 percent cap was reached. In 2004 alone, MRA was able to save 10 large stores with refrigeration units approximately \$500,000.

After the 2008 legislation, rates increased – as much as 47 percent for residential customers, 40 percent for commercial customers, and 35 percent for industrial customers. Businesses that were able to choose their electric provider before the 10 percent cap was reached have enjoyed more than \$350 million in electricity cost savings over the past three years.

Now, over 10,000 businesses are on a waiting list to gain access to competitive electricity. Lack of electric service competition stifles Michigan’s efforts to remain competitive as it struggles to climb out of the recession. MRA supports legislation to lift the cap on electrical choice and allow market competition for all customers.

Thank you,

A handwritten signature in blue ink, appearing to read 'William J. Hallan'.

William J. Hallan
Vice President Government Affairs and General Counsel

603 South Washington Avenue
Lansing, MI 48933

Phone: 517.372.5656
Toll-free: 800.366.3699
Fax: 517.372.1303

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