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NOTIFICATION REQUIREMENT FOR ALTERNATIVE ELECTRIC SUPPLIERS

House Bill 5003 (Substitute H-2)
First Analysis (10-18-01)

Sponsor: Rep. Patricia Birkholz
Committee: Energy and Technology

THE APPARENT PROBLEM:

Enacted in June 2000, the Customer Choice and Electricity Reliability Act provides for the licensing of “alternative electric suppliers,” which may provide electric generation service to retail customers in the state beginning in 2002. An alternative electric supplier will not be a utility and will not include a person who physically *distributes* energy to retail customers. The law specifies that only investor owned, cooperative, or municipal electric utilities may own, construct, or operate electric distribution facilities or electric meter equipment used in the distribution of electricity. However, alternative electric suppliers may use these facilities and equipment under certain conditions, as set forth in the act.

With the emergence of alternative electric suppliers, people may not be sure who their electric supplier is, despite the law’s provision of a program to educate customers about alternative electric suppliers. The utility that owns and operates the distribution facilities will have this information, and the information will be contained on the customer’s electric bill, but customers who do not keep copies of their previous electric bills may not have the information ready at hand. Even now, when the electricity goes out or when people notice a power line lying on the ground after a storm, they often think to notify their city, village, or township before notifying their electric company. Once alternative electric suppliers begin to operate, however, the local unit of government may not know which alternative electric suppliers are providing service within their communities. Some people believe that the PSC should require alternative electric suppliers to provide this information, so that the PSC can make it available to local officials who would like to be able to provide this information to a resident who needs to contact a supplier.

THE CONTENT OF THE BILL:

Public Act 3 of 1939 establishes the powers and duties of the Public Service Commission (PSC) and sets forth requirements for alternative energy suppliers, among other things. A portion of the act—the Customer Choice and Electric Reliability Act—requires any person engaged in the business of an alternative electric supplier in the state to obtain and maintain a license issued by the PSC. Currently, an applicant for a license must provide information regarding the applicant’s safety record, history of service quality and reliability, and technical ability, in addition to other required information. Moreover, the applicant must demonstrate that employees or contractors who will be installing, operating, and maintaining generation or transmission facilities have the requisite knowledge, skills, and competence to perform their functions safely, responsibly, and reliably.

House Bill 5003 would amend the Customer Choice and Electricity Reliability Act (MCL 460.10q) to require further that each alternative electric supplier notify the PSC of the local units—i.e., cities, villages, and townships—to which the supplier provided residential service. The supplier would have to notify the PSC on a semiannual basis, as determined by the PSC. The PSC would have to post this information on its web site, and if requested by a local unit, the PSC would provide written notice, on a semiannual basis, of any alternative electric supplier that had indicated that it was providing service to residential customers in that unit. These changes would not apply after January 1, 2004.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would result in incidental administrative costs for the PSC, which could be met from existing resources. (10-17-01)

House Bill 5003 (10-18-01)

ARGUMENTS:***For:***

For various reasons, residents who experience electrical problems often notify their local unit of government before notifying their electric company. This is likely to continue to be the case once alternative electric suppliers begin to operate. Although businesses experience electrical problems as well, it is improbable that a business with an alternative electric supplier would not be able to identify its supplier. Since the local unit is generally the first point of contact for residents, and since electrical problems impact a community in various ways, local officials should be able to ascertain which alternative electric suppliers are providing service to *residents* within their communities. The bill wisely excludes information on alternative electric suppliers that serve business customers in a local unit because making such information public could thwart the very competition that the act was designed to promote.

Against:

Opponents of the bill suggest that the overwhelming majority of electrical problems that residents (or businesses) experience concern the distribution of electricity rather than its supply. If the lights go out, chances are that a power line has been knocked down or there is a blown transformer, and this is a distribution problem. A customer will typically contact his or her alternative electric supplier when a billing problem arises—e.g., the customer believes that he or she is being charged too much or believes that he or she has not used as much electricity as the bill indicates. However, when this happens, the customer will generally have a copy of the bill ready at hand, and the bill will have the supplier's phone number on it.

Moreover, although they will have their customers' mailing addresses, alternative electric suppliers may not necessarily know their customers' local units of government. A customer might, for instance, have a residence that is located in Delta Township but have a Lansing mailing address. In this case, the alternative electric supplier may only know the mailing address. Alternative electric suppliers may not have exact information on which local units they will actually be servicing. Acquiring such information will be an additional expense for alternative electric suppliers, and while the exact amount is unknown, any additional expense should be weighed against the benefit that would be provided. Given that there are so few cases in which a customer will need to contact his or her alternative

electric supplier—other than billing problems in which the customer will generally have the phone number in front of him or her—the benefit is unclear.

Response:

While it may be true that most electrical problems stem from problems with the distribution rather than the supply of electricity, suppliers of electricity occasionally do experience difficulties generating service. In the short term, the distributor will likely be able to make up for a supplier's failure to generate, but at some point, the distributor may have to cut off customers whose supplier is not reliably supplying electricity. When this happens, customers will need to contact their supplier. One *possible* effect of restructuring the electric industry could be a decrease in the reliability of the supply of electricity for some customers. Regardless of whether this occurs, a customer may need to contact his or her supplier at some point, and since the local unit is often the first place that customers think to contact, the local unit should be able to provide its residents with such information.

Supporters of the bill argue that the technology to determine which areas an alternative electric supplier is servicing is available and concede that acquiring such information may involve an additional expense for alternative electric suppliers.

POSITIONS:

The Michigan Townships Association supports the bill. (10-17-01)

The Michigan Municipal League supports the bill. (10-18-01)

The Michigan Manufacturers Association supports the bill. (10-17-01)

The Association of Businesses Advocating Tariff Equity supports the bill. (10-17-01)

Energy Michigan opposes the bill. (10-17-01)

Analyst: J. Caver

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.