



Testimony of the Michigan Chemistry Council for the House Energy Policy Committee Tuesday, March 6th, 2018

The Michigan Chemistry Council is the voice for Michigan's chemical industry, one of our state's top five largest manufacturing sectors. Our companies support nearly 120,000 Michigan jobs and generate \$262 million in state and local taxes. 96% of all manufactured goods are directly touched by the business of chemistry, making our industry essential to every facet of Michigan's economy.

Energy is the most significant issue of concern for the chemical industry, which depends greatly upon affordable energy sources for its feedstocks and manufacturing processes. Unfortunately, the MCC's members remain significantly disadvantaged by the high cost of energy in Michigan. They have consistently said that Michigan's current energy policies are a major barrier to continued growth by our industry, which competes not only nationally, but internationally for new investments and job growth.

There has been a lot of discussion – and perhaps some deliberate confusion – around the issue of electric rates vs. electric bills. For manufacturers, the retail rate is paramount, and while Michigan's industrial rates have improved somewhat in recent years, they are still uncompetitive. According to a recent MPSC report, among the top 10 states in population, Michigan's industrial electric rates were third highest in 2017 at 7.35c/kWh. Michigan's weighted average industrial retail rate has been above the national average since 2009, when (not coincidentally) Michigan limited electric choice.

MCC members have attested to the direct loss of investment by their company in Michigan because of uncompetitive electric rates. The MCC also has members for whom their continued operations depend upon addressing our state's high rates. The Legislature and the MPSC must stay focused on this issue as one of the key policy levers for economic and job growth.

However, let's not forget about the costs of energy for Michigan's residents, a factor of concern that the Legislature has heard much about in recent weeks. The data bear out the problem: as of December 2017, Michigan's residential electric rates were the 12th-highest in the nation at 15.47 c/kWh (EIA data). The MPSC's report likewise notes that Michigan's residential rates were the highest among the six Midwest states – states that are similar to us in their climate and fuel types.

The MCC would urge solutions in a number of areas, including by increasing competition for both our state's power generation and in the retail market. The MCC hopes that new integrated resource planning (IRP) proceedings can hold utilities accountable on "apples-to-apples" scrutiny of their assets to help ensure the most prudent investments – a feat that has always been difficult for outside stakeholders to achieve. The MCC also encourages appropriate restraint of utility earnings, particularly when Michigan's utilities have for years been granted above-average rates of return. The MCC believes that our recent energy laws have significantly reduced the level of risk for regulated utilities, and that it is appropriate for future rates of return to reflect this reality. These reforms would help address our state's high costs of energy, not just for choice customers or manufacturers, but for all impacted ratepayers.