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Good morning. My name is Tony Earley, and I am the Chairman and CEO of DTE Energy and Detroit Edison. Let me begin by expressing gratitude to all of you for the tough challenge you accepted and worked on throughout 2007 to create a comprehensive state energy plan for Michigan. I consider it an honor to appear for a second time this year before the House Energy and Technology Committee, and am grateful for the opportunity to share my views on the package of energy legislation you have offered.

Chairman Accavitti, you have ably led your committee through a whole host of complicated and interconnected issues to arrive where we stand today. I thank you for your strong leadership, hard work, and resolute determination to guide Michigan toward creation of a new electric energy policy. The legislative package now under consideration by this committee, if adopted, will increase energy efficiency, expand renewable energy and assure construction of sorely needed new base load power plants. Stated another way, this legislation will bring jobs and economic development to our state, protect our environment, and help customers to maintain affordable electric rates.

I also want to thank Vice-Chairman Nofs for starting the process to examine Michigan's long-term energy needs back in 2006, and for continuing to offer strong leadership throughout this debate. Your critical role in bringing together competing interests to find common ground for Michigan's energy suppliers and consumers is recognized and appreciated.

I am also aware of the important role that the four co-chairs of the Renewables and the Energy Efficiency subcommittees have played. We thank Vice-Chairman Mayes, Representative Angerer, Representative Palsrok, and Representative Opsommer, who have tackled some very thorny issues and, by working for months through those issues, have succeeded in developing excellent products from which to complete the RPS and EE debate. All of you have been impressive in your commitment to understand the complexities of each energy policy issue and your willingness to craft a comprehensive package rather than an isolated initiative.

Detroit Edison stands poised to make major investments in Michigan. Before those investments can be financed at terms reasonable for our customers, however, Michigan needs to fix the unworkable components of Public Act 141 of 2000. As you might recall, under PA 141, electric customers have the option today to seek electricity from either a regulated utility (which sets rates to recover investment over long time horizons and thus provides price stability) or

from the more volatile electric market. Customers may choose from whichever provider offers the lowest prices at any given time. This sounds great until we examine the consequences. The seesaw nature of this hybrid leaves would-be investors with no assurance that customers will stay long enough in either of the two choices to invest a billion or more dollars in renewable or traditional power construction. For example, between 2003 and 2006, DTE Energy and Consumers Energy experienced a swing of over 3,000 megawatts of electric demand from the regulated utilities to the alternative market suppliers and then back to the utilities again. That is the equivalent of at least three baseload power plants. This is also a policy that resulted in a rate increase of over \$300 million dollars for Detroit Edison customers who were asked to make up for the sales that were lost when less than one percent of our 2.1 million customers took alternative supply from the market. This is a problem Michigan needs to fix.

We have long believed that the best fix would include an outright repeal of Michigan's electric choice program. Looking around the country, where experiments with choice programs and deregulation have failed in every state where they were tried, we are more convinced than ever that repeal is the clearest, cleanest and most definitive answer to the problems that have been created by this failed experiment. But repeal is a policy that only the legislature can offer, and ... that said, we have now swallowed the bitter pill of reality that outright repeal does not have sufficient legislative support. In this context, we recommend support for legislation that will provide a workable solution to Michigan's current hybrid market problems by clarifying whom it is we serve...not only today, but out into the future. Without clarity, nothing is accomplished, and investment cannot and will not be made in this state

Representative Accavitti and other co-sponsors have introduced a bill that provides for a one-time electric choice election policy. After seven years of experience, Michigan electric customers should now be ready to determine whether they prefer utility service or alternative market supplier service. We understand and accept that some small number of customers feel there is a real or perceived benefit from access to market based rates. The simple elegance of Chairman Accavetti's solution is that those customers can have exactly what they want – access to the market. Once the customer makes this supplier election, both the utility and the alternative suppliers will know the size of the customer base they will be serving in this future. This policy will give Detroit Edison enough clarity to go to Wall Street for the type of financing we need to invest, for example, in Michigan's next nuclear power plant or in the wind turbines we plan to construct to meet the RPS requirement you are working to adopt. Furthermore, alternative suppliers will know the customer base they will serve and can plan accordingly. We believe this solution achieves important public policy goals without the drawbacks of today's hybrid system.

We understand that other policy fixes to PA 141 are also being considered. To the extent that any proposal perpetuates our unsuccessful hybrid

system, it should be viewed very critically. While we are open to supporting other ideas, they need to meet a critical test. Does the proposed solution provide enough stability as to the size of the customer base we will be serving in the future to secure the type of financing needed for power plant construction, be it renewable or traditional? If the answer is “yes,” then we can support the proposal.

Once new legislation is adopted to fix PA 141’s unworkable hybrid system and to craft a comprehensive new energy policy for our state, major investments in Michigan’s electric infrastructure will begin. To show our good faith and our commitment to Michigan’s energy future, we have already spent millions of dollars in planning for a new nuclear plant at our Fermi site and for renewable resources. To move to the construction phase, however, PA 141 must be fixed. The package of bills under your consideration will open the door to investment of billions of dollars over the next decade that will create thousands of new, skilled labor jobs, add needed new permanent tax base and ensure an independent energy future with clean, affordable, and reliable energy for several generations of Michiganders to come.

I would also like to reiterate my views on the need for new power generation in Michigan. First, the 21st Century Energy Plan documented the need for a minimum of one new base load power plant by 2015. Yet the need does not end there. Studies, including our own research, show that multiple additional base load plants will be needed between 2016 and 2025. Keep in mind that this conclusion assumes implementation of very aggressive energy efficiency programs and a very robust renewable energy build during that time frame. We intend to execute on all fronts. We need to reduce energy usage through efficiency programs. We need to continue our strong demand management to minimize peak load growth. We need to reduce greenhouse gas emissions through a significant wind and other renewables energy program in our state. And we do need to construct Michigan’s next nuclear power plant. Your adoption of a comprehensive state energy plan will open the door to execution of our plans.

Why does Michigan need all of this new power even when its economy is struggling? The answer is simple. Americans love energy powered devices. I - pods, plasma TVs, cell phones, smart homes ... the list is endless. The U.S. Energy Information Administration predicts that by 2030, electricity sales in our country will increase by 50 percent. In order to be ready for increased demand in Michigan, however, the construction of power plants must begin very soon. A new nuclear power plant, at a minimum, is a decade long project. While we have begun the planning, construction will not go forward unless PA 141 is fixed and investments can be financed.

You have a unique opportunity to meet this challenge now. The package of bills on your agenda today, developed from the arduous efforts of this

committee throughout the past year, offers a path to a clean, affordable and reliable energy future for Michigan. Because this package does not represent the complete solution we had hoped to see (repeal of the electric choice program), we intend to continue working for amendments that we feel will strengthen these new policies. But make no mistake about it, we are steadfast in our belief that Michigan needs a comprehensive new energy policy and it needs it now. This package, in its totality, represents a plan that could work.

Looking briefly at this package of bills, we note the importance of each of them in creating a full, comprehensive state energy plan.

1. A renewables build would likely languish without a state mandate, and yet appropriate off-ramps that protect customers from over-build and undue price escalation are an extremely important adjunct to a mandate. Your legislation does both. While this legislation still needs work, it is clearly headed in the right direction. The same is true for the energy efficiency bill.
2. An energy efficiency program, also accompanied by appropriate off-ramps, makes tremendous sense for Michigan. Our partnership with industrial customers to implement energy efficiency programs has resulted in over \$400 million in savings for steel and auto manufacturers over the past 10 years. We know we can help our residential and commercial customers to gain the same type of results. We know that nationally, and here in Michigan, electric rates will rise as we invest in new infrastructure such as renewables and power plants. With an effective energy efficiency program, the impact on total customer bills can be minimized if the customer reduces energy usage by taking advantage of these programs. Energy Efficiency will avoid the need for construction of even more power plants in the future and save customers billions in the long run.
3. The PA 141 amendments work together to complete a comprehensive energy plan for Michigan. Fixing Michigan's hybrid electric market tops the list, but other critically needed reforms include streamlining Michigan's regulatory process and authorizing a Certificate of Need program for major electric infrastructure investments. In a growth environment where utilities are investing several billion dollars, the Certificate of Need process produces added certainty and the revised regulatory process (modeled on the FERC process) ensures timely recovery of investments. To ensure a more fair energy policy going forward, rate deskewing will move all customer classes to their actual cost of service. Our business customers tell us this will go a long way to improving Michigan's competitive position.

At this juncture, I would like to emphasize the importance of the entire legislative package. Thank you for offering your legislation with tie-bars to all of the various pieces in the plan. Viewed individually, none would offer a workable

policy for Michigan's future. Viewed in their totality, the package represents a plan that will diversify Michigan's future generation mix, make the state more energy efficient, accelerate the development of renewable energy resources, and create a new regulatory construct critical to assuring that Michigan can fulfill its future electric needs with clean, affordable and reliable energy.

In concluding, I would like to share with you direct quotes from a few of the nation's governors who preside over electric choice states.

From Governor Tim Kaine, Virginia, January 10, 2007:

"Deregulation was designed to foster competition and lower prices. That competition has not materialized. We need to take steps this year to protect Virginia families and businesses from the dramatic price spikes seen in other states. Together, we must make sure Virginia continues to have energy that is reliable, low-cost, and environmentally sound."

Last summer, the Virginia legislature repealed its electric choice program for all but that state's largest industrial users.

From Governor Brian Schweitzer, Montana, May 2007:

"Deregulation is an unmitigated disaster for Montana"

The Montana legislature repealed its deregulation laws that same month.

From Governor Martin O'Malley, Maryland, June 29, 2007:

"I intend to do everything I possibly can to get us out of the horrible situation that all consumers, and especially working-people and people on fixed incomes, have been left with in the wake of deregulation"

Maryland continues to struggle. Its consumers are now paying some of the highest electric rates in the country, and its PSC just released a report last week that said deregulation in the state has not only failed to deliver lower prices, but also has left the state vulnerable to severe power shortages.

From Governor Ted Strickland, Ohio, May 2007:

"Competitive markets simply have not developed, and lower electric rates were probably not a realistic expectation. In fact, in other states, deregulation has brought with it significant increases in utility rates. If we could go back, I think most people would stay with regulation."

In Ohio as in Maryland, it might be too late to fix the serious problems deregulation has wrought on electric customers; but in Michigan, we have an opportunity to get it right. Timing is crucial. Action is needed now.

We commend the work of this committee and in particular of Chairman Accavitti and all the subcommittee co-chairs. We believe you have offered through your legislative package, a plan to encourage investment in a clean, affordable, reliable, and diversified energy portfolio for Michigan's future. Once implemented, the plan will grow jobs in our state, bring predictability to energy costs, enhance Michigan's competitive business climate, and protect our environment. We look forward to working with you to complete the job you have so successfully begun by offering this package.

Thank you.