



House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

CONSUMERS ENERGY APPLIANCE SERVICE PLAN: EXTEND WAIVER

House Bill 5188 (Substitute H-2)
First Analysis (11-6-03)

Sponsor: Rep. David Palsrok
Committee: Energy and Technology

THE APPARENT PROBLEM:

The Customer Choice and Electricity Reliability Act was enacted in 2000 to restructure Michigan's electricity industry. Among other things, the act required the Michigan Public Service Commission (PSC) to establish a code of conduct applicable to all electric utilities, including measures to prevent cross-subsidization, information sharing, and preferential treatment between a utility's regulated and unregulated services. (According to the code of conduct, a service is "regulated" if the PSC has the authority to set the price for the service.) Since the code was created, there have been questions as to whether Consumers Energy's Appliance Service Plan (ASP) program complies with the code of conduct. The ASP is a voluntary repair program for large home appliances, for which Consumers Energy charges its customers a fee on their monthly utility bills. Approximately 175,000 Consumers Energy customers, about 6.7 percent of the company's total customer pool, currently are enrolled in the program. According to the company, more than half of the ASP customers are over the age of 55, and about half have an annual household income of less than \$40,000.

Some also have expressed concerns about the company's use of inserts in monthly bills to promote the program. The PSC has ordered Consumers Energy to complete the full functional separation of the ASP program and its regulated activities, and discontinue the use of monthly promotional inserts, by December 31, 2003, or discontinue the program. Some people believe that the ASP program provides a valuable service and legislation has been introduced that would allow the company to continue offering it to its customers, under certain circumstances. While discussion of that legislation continues, however, the waiver deadline approaches. As a stop gap measure, legislation has been proposed to extend the waiver -- and the program -- through the coming winter months, and to allow the legislature more time to explore the issue.

THE CONTENT OF THE BILL:

The bill would require the Public Service Commission to extend the temporary waiver for appliance service plans issued on February 20, 2003 until July 1, 2004, subject to the conditions imposed in the original order.

MCL 460.10a

BACKGROUND INFORMATION:

For a full discussion of this issue, see the analysis of Senate Bill 612 by the Senate Fiscal Agency dated 10-3-03. The analysis of House Bill 5188 relies on information provided in that analysis. Senate Bill 612 and the original version of House Bill 5188 would have made an exception to the code of conduct for electrical utilities for a utility's repair and service program under certain conditions. That proposal will remain under discussion during the time period of the waiver extension that the substitute version of House Bill 5188 would provide.

FISCAL IMPLICATIONS:

Based on information on the introduced version of House Bill 5188 from the House Fiscal Agency, the bill would have no fiscal impact on state or local government. (11-4-03)

ARGUMENTS:

For:

By extending for an additional six months the waiver provided by the Public Service Commission for the Consumers Energy appliance service plan (ASP), the bill will give the legislature additional time to address the issue comprehensively. It also will maintain this useful service through the coming winter months.

Some people argue that Consumers Energy's ASP provides a valuable service for its customers, particularly senior citizens, the physically disabled, and low-income people. Customers are satisfied with

House Bill 5188 (11-6-03)

the program because it is associated with a name they know and trust. If the company is forced to terminate the program, it will mean the end of a reliable, essential service during the coldest time of the year. They also argue that the ASP program is a benefit to many small businesses. In 2002, the program paid \$6.9 million to its network of 152 independent contractors who performed approximately half of Consumers' ASP work. Additionally, the program provides employment to many utility workers during seasonal non-peak times. The PSC requires additional staff in case of an emergency, and the ASP program provides a revenue-generating activity that makes sustaining this adequate workforce economical.

POSITIONS:

AARP Michigan supports the bill as reported from committee. (11-6-03)

Analyst: C. Couch

■ 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.