

# Michigan climate policies only help utility giants

What's progressive about green laws that let corporate behemoths pick the pockets of working Michiganders?

By Joshua Antonini | April 2024

New energy laws will force Michigan residents to pay significantly more.

What will people get in return? An energy policy that will have no measurable impact on the climate and make electricity less reliable.

DTE and Consumers Energy, on the other hand, are poised to profit.

Last year, Michigan's legislature passed a package of laws in support of Gov. Gretchen Whitmer's net-zero carbon emissions plan. The new laws require Michigan to eliminate 100% of fossil-fuel-powered electricity generation by 2040.

Who stands to benefit? Not the average Michigander; the laws will cost ratepayers between \$1,500 and \$2,746 in energy costs each year.

Surely, the climate savings from these policies can justify such a cost? Projections based on the Obama

Administration's Clean Power Plan suggest this legislation would, at best, reduce global temperatures by a mere 1/1000th of a degree by 2100. It's difficult to see how this new energy policy will benefit future Michiganders, let alone current residents paying the costs.

“**The quest to shoehorn wind and solar into the grid comes at a heavy cost to ratepayers.**”

It is the state's major utility companies, DTE and Consumers Energy, that will profit from these climate policies. It may seem counterintuitive that climate policies will help big utilities. But it's not so simple.

Like many states, Michigan's large investor-owned electric utilities do not operate in a free market; they are state-backed monopolies for 90% of ratepayers. To manage the abuses that can come with monopolies, the Michigan Public Service Commission, or MPSC, regulates the prices/rates that the utilities may charge ratepayers. In place of a competitive market that determines prices, the state grants its utilities a regulated profit, the costs of which are passed on to the ratepayers.

That regulated profit comes in part from the guaranteed rate of return on the “total value of a utility’s assets (e.g. plant, equipment, working capital, and deductions for accumulated depreciation),” also known as the “rate base.” That is to say, “[t]he way for a vertically integrated utility to make more money [is]... to spend more money,” explains grid expert Meredith Angwin in *Shorting the Grid*.

These perverse incentives make rebuilding the grid’s electricity generation in the name of climate action and the energy transition a highly profitable venture. The less efficient, the better; after all, the more they spend, the more they make, and the more they are allowed to charge ratepayers.

The public utility commissions are supposed to prevent this rate-of-return farming, to protect ratepayers from the utilities, but the new laws co-opt this function. The MPSC is now tasked with enforcing the administration’s climate ideology.

Federal policy also makes wind turbines and solar arrays lucrative to power companies. Washington gives out subsidies at taxpayer expense.

On top of the federal preferences, renewables benefit power companies by being unreliable forms of electricity generation. They are intermittent and require backup generation and/or battery storage, both of which are costly. Power companies get guaranteed profits from wind turbines and solar arrays as well as from the reliable power plants necessary to back them up.

Electric grid administrators have described the problems caused by wind and solar mandates and subsidies. Federal Energy Regulatory Commissioner James Danly warns that “FERC has allowed the markets to fall prey to the price-distorting and warping effects of subsidies and public policies that have driven the advancement of large quantities of intermittent renewable resources onto the electric system.”

“Controllable, dispatchable resources are being retired and replaced primarily with weather-dependent, non-dispatchable, and variable generation types to achieve carbon reduction goals,” said Todd Ramey of the Midcontinent Independent Systems Operator, the transmissions operator under which most of Michigan falls, in congressional testimony late last year. “These weather-dependent generators are increasing reliability risks.”

Danly and Ramey are far from the only ones sounding the alarm.

The quest to shoehorn wind and solar into the grid comes at a heavy cost to ratepayers. It delivers a more expensive and unreliable product while doing nothing to help the environment. Lawmakers who want the people of Michigan to have cheap and reliable electricity must give up on wind and solar mandates

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