

# May 12 MPSC Hearing To Determine Facts in Case Against Edison Sault

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enough power to meet demand, although Mr. Sawruk predicts his customers will fare better because he is tied to the electric grid in Wisconsin.

The immediate concern, however, is Edison Sault's new electric rates, which were increased about 16 percent this year, from 6.15¢ to 7.19¢ for an average household using 1,000 kilowatt-hours of electricity. For Mackinac Island, which relies almost exclusively on electricity for fuel, that could amount to an additional \$100 a year in an average home heating expense.

"Our prices may be going up, but they are still lower than anyone else," said Mr. Sawruk, who compares his 7.19¢ to a state average of 9.84¢, which includes both investor-owned utilities and cooperatives.

"That's 27 percent below the state average," he said.

James Selecky, a utility rate expert working on behalf of Mackinac Island, has said the rate increase is 28 percent, but his increase includes power supply recovery (PSR) factors, which rose to 0.01245 per kilowatt-hour from the 2005 factor of 0.00299 per kilowatt-hour.

The PSR is a check and balance system designed to protect customers. Each year, customer bills are adjusted to compensate for over or under projections in energy costs.

To challenge the rate increase adopted by Edison Sault Electric of Sault Ste. Marie, which is owned by Wisconsin Energy Corporation (WEC) of Milwaukee, Mackinac Island has hired a Lansing attorney, sought support from other cities and townships served by Edison Sault, and petitioned the Michigan Public Service Commission for a review.

The City of Mackinac Island has already paid \$5,000 to contest the rate hike, and anticipates its legal fees in the matter could reach \$20,000. So far, only Clark Township in east Mackinac County has given its support to the effort, but has provided no money. Mackinac County and the City of St. Ignace are studying the matter.

City attorney Tom Evashevski said Tom Waters of the Lansing firm Fraser, Trebilcock, Davis, and Dunlap has been monitoring Edison Sault rate increases since the Island lost power for 10 days in 2000, and this year's sharp increase led him to further investigate the basis for the hike.

The city will argue that Edison Sault prematurely terminated agreements with its parent, Wisconsin Electric, and with other power companies to purchase power at a rate lower than the open market. Doing so

forced the company to pay more for its power, which led to its need for a rate increase. Meanwhile, the city argues, Wisconsin Electric can sell the less expensive power earmarked for Edison Sault on the open market, where it will receive more money. The city

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— Donald Sawruk,  
Edison Sault President

contends that the utilities are profiting from selling energy at higher rates at the expense of Edison Sault customers.

According to Mr. Selecky's testimony for the Public Service Commission, Edison Sault terminated a joint operating agreement to purchase electricity from Wisconsin Electricity Company (WEC) in March 2005, although the agreement was not set to expire until January 2007. Under a new agreement, Edison Sault can purchase electricity at cost from WEC, but it does not. Instead, it pays market price, which benefits the company at the expense of consumers, explains Mr. Selecky.

He contends that WEC produces approximately 700,000 megawatts in excess power and, under the agreement, it is supposed to be offered at cost to Edison Sault, whose yearly demand is 225,000 megawatts. Mr. Selecky said WEC's excess power is being sold on the open market and Edison Sault is paying market prices, which increases costs to customers unnecessarily.

Mr. Sawruk told *The St. Ignace News* he disagrees with Mr. Selecky's analysis of any new agreement with WEC, but would not elaborate.

"The case in Lansing will vindicate us and show that what we are saying is correct," he said.

Mr. Selecky has also contended that Edison Sault paid \$2.4 million for an agreement with six other power companies which would provide power at a reduced cost to Edison Sault, but had turned the option over to WEC and is not exercising it.

"I don't know what they are talking about with six other companies," Mr. Sawruk responded.

WEC does buy power from other sources and Edison Sault does have an agreement with Consumer's Energy of Jackson to buy power from them at a reduced rate, he noted. In addition, Edison Sault has tried to increase the amount of power it purchases from Consumer's Energy and has been told any additional power bought from the company would be at market rates, he explained.

"I think part of the problem is that some of the attorneys involved in the case don't have a real good understanding with what is going on in the power market today," Mr. Sawruk said.

As to what residents can expect regarding the legal proceedings between Mackinac Island and Edison Sault, Mr. Evashevski said the May 12 hearing will determine the facts in the case. By June, both parties are required to submit briefs before a final determination will be made by the Michigan Public Service Commission. Exactly when is up to the PSC.

Future electricity prices are yet another matter to be discussed at the hearing Friday.

Established in 1892, Edison Sault began as a hydro-electric

generating plant using the rapidly moving waters of the St. Marys River to generate electricity. Growth in the region has led the company to purchase additional power from outside sources. Today, the company serves approximately 23,000 customers in the Eastern Upper Peninsula and 60 percent of the electricity Edison Sault provides comes from its two outside suppliers, WE Energies (another WEC company) and Consumers Energy.

Edison Sault's contract with WE Energy expires January 1, 2008, and its contract with Consumers Energy will expire January 1, 2020. New agreements will have to be drawn up, which could mean future rate increases, Mr. Selecky indicated in his deposition. He said the solution to increasing power capabilities in Michigan would be in the construction of more coal fired plants. Noting Edison Sault's reliance on outsourced power, he suggested one solution may be for Edison Sault to gain partial ownership of a coal plant.

Mr. Sawruk has a similar opinion: "There is no additional power in Michigan."

He said the state has begun

studying the issue of meeting future energy demands, though he believes the process should have begun five years ago.

He also discussed Edison Sault's reliance on outside sources for power, explaining that 40 percent of the power provided by Edison Sault comes from hydro generation and the remaining 60 percent from outside sources. He explained that the hydro generation plant has limited options because it is small and because of its physical location.

Edison Sault's hydro plant generates 27 megawatts of power, which is small in comparison to new plants being built in Wisconsin that will produce up to 1,000 megawatts of energy, said Mr. Sawruk.

Physically located at the end of a transmission grid, Edison has two lines coming into the area, one from WE Energy from the west and one from Consumers Energy from the south. There are no other sources for the area, explained Mr. Sawruk.

"I'm predicting Michigan may run short of power in the near future, but Edison Sault will not because it is tied into

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