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## State report: Michigan needs new power plant

**Mark Hornbeck / Detroit News Lansing Bureau**

**LANSING** -- Michigan needs a major new power plant by 2015 to handle increased electricity demands, according to a report today to the governor on the state's future energy needs.

The report was released by the Michigan Public Service Commission, a state agency that oversees utilities. The new plant, which would be built by one of the big utilities, would likely be a coal-fired facility although the report leaves open the possibility of a nuclear plant down the road.

The 21st Century Energy Plan, put together by PSC Chairman J. Peter Lark upon Gov. Jennifer Granholm's request, also proposes that 10 percent of the state's electricity be generated by renewable sources -- mainly wind, but also solar, hydroelectric and others by 2015. Currently, less than 4 percent of the state's electric supply comes from renewable sources.

The plan further recommends a statewide energy efficiency program to educate people about conserving power and may provide incentives for electricity-thrifty purchases such as fluorescent light bulbs and efficient home appliances. Lark said the initial cost of efficiency measures would be about 50 cents a month for the average electric customer but eventually the program would save billions of dollars.

Efficiency measures and expanded use of renewable power sources should reduce the state's need from four power plants to one over the next eight years, the report concludes.

Lark said he received input from 360 people in the electric industry and businesses, as well as residential power users and others.

"Michigan is going to need more power going forward into the 21st century," Lark said. He said the estimate is based on a 1.2 percent annual increase in demand for electricity. That figure was reduced from earlier projections due to the state's limping economy.

He said the state would incur additional costs of \$4 billion over the next 20 years if nothing is done, because electricity needs would have to be met by buying more expensive power in the Midwest market.

"The plan protects customers well into the 21st century by keeping our lights on, saving us billions of dollars and protecting the environment," Lark said.

He said even though the state's economy "isn't running on all eight cylinders," power usage is increasing. One reason: More and more Michiganians use electricity to charge up cell phones, operate computers and other high-tech devices.

Given the time frame and power needs, the new plant is likely to be a state-of-the-art coal-fired facility that uses the cleanest available technology. Nearly 60 percent of the state's electricity is generated by coal plants, well above the national average. Environmental groups want the state to reduce its reliance on coal. The report leaves the door open to a nuclear power plant. But Lark notes that it would take 12 years to build a nuclear plant.

"We should take a serious look at nuclear," he said.

The cost of a new coal-fired plant would be in the \$1.6 billion to \$1.8 billion range, while a nuclear plant would cost about \$2.4 billion, Lark said.

He added that the state hasn't built a major electric power plant in two decades and the current generating facilities are 48 years old, on average. Some of those facilities are likely to be phased out over the next eight years.

The report also recommends that the Public Service Commission have the option of allowing a utility to collect from rate-payers part or all of its construction financing costs. Currently, financing cost recovery applies only to pollution control investments.

A new plant approval process would require utilities to demonstrate need for the plant. The commission would grant a so-called "certificate of need" partly intended to enhance the utility's ability to obtain financing.

The U.S. Energy Information Administration reports that Michigan residential and business customers generally pay higher electric rates than neighboring states.

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