

MIRS Capitol Capsule
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Statewide Energy Plan Projects Savings But Not Costs

Michigan Public Service Commission Chairman J. Peter **LARK** today released his overdue statewide 21st Century Energy Plan, telling reporters it would save electric customers at least \$4 billion over the next 20 years.

However, he couldn't put a price tag on the cost of the plan, which calls for more alternative energy production in the short term, a new coal-fired plant down the road and a look into nuclear energy even further down the road.

The 40-page plan recommends that Michigan's future needs be met through a combination of renewable resources and the cleanest generating technology coupled with energy savings achieved through increased energy efficiency.

At the forefront of the plan is a requirement that all retail electric energy suppliers obtain at least 10 percent of their energy supplies from renewable resources by 2015 - a portfolio standard Lark said would provide protection from the volatile electric energy markets and provide protection from costs associated with expected federal taxes on greenhouse gas emissions.

Renewable resources include wind, which Lark said would likely provide the greater portion among the other options of solar, wood burning and animal waste.

Lark said inactivity and doing nothing was not a viable option. "If we do nothing, utilities will continue to buy power from other sources. That is the most expensive route Michiganians can take," Lark said. "Will there be sufficient power and, if so, at what cost?"

But will there be a price tag associated with Lark's report?

"It will cost more money, but less than doing nothing and less than building a coal-burning plant," Lark said.

The report concludes that without a comprehensive electric supply plan, Michigan "is left to the vagaries of the Midwest Independent Transmission System Operator (MISO) energy market" — a market that is both costly and volatile.

The Michigan Energy Efficiency Program portion of the plan would cost the average residential customer about 50 cents per month and would fund energy efficiency measures and education throughout the state.

Currently, 24 states have already enacted Renewable Portfolio Standard legislation and 15 states have an Energy Efficiency Plan in place.

In addition to a renewable resources portfolio and increased energy efficiencies, the plan suggests there is a need for and provides for the opportunity to build a new power plant by 2015. A 500-megawatt coal-fired plant is the preference over nuclear because according to Lark, a nuclear plant is more costly and could not be built to meet the 2015 timeline. It is estimated the cost of a coal plant would be \$1.6 billion as compared to \$2.4 billion for a nuclear plant.

"We should look at nuclear beyond [then], but it is not an answer to 2015," Lark said.

The plan estimates Michigan's need for increased electric capacity will grow an average of 1.2 percent per year over the next 20 years. The average age of Michigan's power plants is 48 years and no new plant has been built in almost 20 years.

Lark said legislation would be required to create the renewable energy portfolio because the MPSC does not have the authority to require utilities to provide or purchase renewable energy sources. However, the Commission has authority over construction of new generation plants.

To that end, if a utility demonstrates the need for a new baseload generation plant, the Commission may approve the decision by issuing a Certificate of Need. If granted, the utility would be required to competitively bid.

In response to a question of whether customers would have to pay for the plant construction upfront, Lark said the report recommends an assessment during the construction phase, but that "constructs costs would never go into the rate base until the construction was completed and the plant being used and useful."

Lark pointed out that in the past utilities were allowed to recover environmental costs and carrying charges and that in the future carrying charges may be recoverable before construction is completed.

Lark said his plan would help clean up and boost the economy, create jobs, clean up the environment and provide economic development in Michigan that is not automotive related.

Under the plan, "Renewable energy would have to be made in Michigan or have an economic and environmental benefit in Michigan," Lark said.

What if the plan isn't adopted? Lark said he is "pretty confident" Michigan would be in good shape power wise but electric customers would just pay \$4 billion more.

Consumers Energy Spokesman Jeff **HOLYFIELD** told *MIRS* the company had not had time to review all the details of the report but generally agreed with its conclusions.

"We are using more electricity and if we don't act, the state won't have enough power to meet its needs in a few years," Holyfield said. "Energy efficiency will help but there is still going to be a need for new power plants in Michigan."

As for the renewable resources portion of the plan requiring electric utilities to provide 10 percent of its power from renewable resources, Holyfield said five percent of Consumers Energy's power already comes from renewable resources. However, it is their position that renewable resources should "be voluntary and allowed to develop in the marketplace."

Lark's plan was immediately panned by Customer Choice Coalition Executive Director Barry **CARGILL**, who noted that Michigan has the Midwest's highest electric rates and this proposal will make sure that trend continues by ensuring that Consumers Energy and DTE will continue its record of major plant cost overruns and

construction delays.

"All control of rates will be left to the Michigan Public Service Commission, returning Michigan to the old-style command and control regulation that led us to the high prices we have today," Cargill said. "This is a defacto return to the policies that lawmakers, then-Gov. John **ENGLER** and then-Attorney General Jennifer **GRANHOLM** in a bi-partisan compromise decided to end in 2000."

The plan is an outgrowth of an Executive Directive (2006-02) issued by Granholm last April, which directing Lark to develop a comprehensive plan to provide reliable, clean and affordable power to meet the state's future electric energy needs, including a renewable portfolio standard and energy efficiency measures.

In a written statement to *MIRS*, MPSC Commissioner Laura **CHAPPELLE**, the only Republican on the three-member Commission, said she is still reviewing the report but added, "I certainly agree that any proposed energy policy must strike the right balance between providing the incentives necessary to meet Michigan's electric infrastructure needs, allowing customers all available options to address their energy needs, and protecting ratepayers. I support the objective of meeting Michigan's growing infrastructure needs."

However, her statement expressed concern that "the report may cut short important available customer options and appears to include expensive mandates. I commend the parties for their efforts and look forward to the dialogue that is sure to follow."

Chapelle and Commissioner Monica **MARTINEZ** were not asked and did not take part in the plan's development. Lark did note, however, that 160 organizations participated in fact gathering and there were some 350 contacts made in developing the 4,000-page record that resulted in the 40-page plan.

The Michigan United Conservation Club issued a statement praising the report for its commitment to renewable energy and urged the Governor to "quickly move forward and put the plan into action."

Not all environmental groups were as pleased. Environment Michigan was not impressed with the call for new power plant that used "dirty and imported fuels like coal." The group said increased reliance on these fuels equal more pollution and costlier energy in the long term.

On the goal of making 10 percent of energy coming from alternative sources by 2015, the Michigan Environmental Council's David **GARD** said:

"That's certainly a good start, but a stretch goal of 13 percent by 2015 and 20 percent by 2020 would be even better. If Michigan is to become a 21st Century leader in new, cutting-edge, money-saving energy technologies, we need to make the strongest commitment possible."

The entire 21st Century Energy Plan, including its appendices, is located on the MPSC Web site: www.michigan.gov/mpsc