

## MIRS Capitol Capsule, Wednesday, February 1, 2006

### **Electricity Maintenance Will Be Costly**

The state has options on how it can keep the lights and air-conditioning on, but every single one of them is going to be expensive.

Michigan Public Service Commission (MPSC) staff members gave a presentation to a joint Senate and House energy committee Tuesday about what needs to be done to maintain electrical output in the state without creating a shortage.

In January, the MPSC recommended building 1-2 new electric transmitters by 2009 (See "*Both Houses See MPSC Energy Requests*," 1/30/06). The MPSC cautioned that without the new plant maintaining current electrical needs would be dicey and keeping up with new demands would be risky as plants breakdown.

According to the report, the state would be OK in 2009, but would definitely need 1-2 base loaders by 2011 or 2012.

The MPSC advised the Legislature to start discussing what method to pursue to update the system because it will take 6-8 years and \$1-2 billion to build one new base load generation plant. These plants are estimated to last about 40 years although some do reach 65 years. The average age of Michigan plants is 47-48 years.

Obviously, cost is a problem. The MPSC recommended that the Legislature look at letting utility companies temporarily increase rates to help finance a new plant. This raised concerns among Republicans who wanted to know how consumers would get a return on their investment, especially if this created a pattern in which new plants would consistently be needed to replace outdated ones.

MPSC representatives gave examples of how other states address these issues but didn't necessarily make a recommendation because the MPSC group doesn't have a position on what should be done.

The report was simply done to assess the state's electrical needs, which haven't been looked at for 20 years. The commission will make recommendations after getting more input from the public and the Legislature.

MPSC staff warned that Michigan's demand for energy greatly overshoot what was considered the high forecast in the 1980s. In other words, Michigan is consuming energy a lot faster than even the forecasters could perceive. Part of last year's increase can be attributed to an unusually hot summer.

Some solutions the state could look at to meet energy needs involve a shuffling of energy resources and a re-examination of how resources are used.

For example, right now 43 percent of the electric generating capacity in the state is derived from coal and 27 percent is derived from natural gas. The amount of natural gas used to generate energy has increased in the past 10 years yet coal

use has decreased.

Because fuel costs are volatile and have been on a steady rise, the state could look at using more coal or cleaner coal to fuel these systems.

Another thing to consider is nuclear energy, which generates 85-86 percent of the state's energy but makes up only seven percent of the electric generating capacity. Though nuclear energy is cheaper than natural gas over the long-term, nuclear plants are very expensive to construct.

Some other options include using landfill gases, using wind power and upgrading plants already in use.

Sen. Bruce **PATTERSON** (R-Canton) and Rep. Mike **NOFS** (R-Battle Creek) will use the recommendations while devising a long-term energy plan for the state. The MPSC presentation was informational and will not necessarily incite legislation.