

**Contact:** Judy Palnau (517) 241-3323

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## **MPSC Releases Status Report on Michigan's Future Electric Capacity Needs**

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**July 1, 2005**

### **MPSC Releases Status Report on Michigan's Future Electric Capacity Needs**

The Michigan Public Service Commission (MPSC) today released a status report on Michigan's future electric capacity needs. A major electric planning process has not been undertaken by any state agency since the Michigan Electric Options Study (MEOS) conducted from 1985 to 1987.

The MPSC in October last year launched a Capacity Need Forum (CNF) charged with investigating the state's potential need for additional electric generation in the future. The forum is charged with assessing Michigan's power needs, reviewing resource addition policies, and recommending the best mix of resources, if needed.

Over 200 individuals representing 47 groups have participated in the CNF, including utilities, customer groups, independent power producers, environmental organizations and other governmental organizations. The purpose of today's status report is to provide an update on what has been discussed and any preliminary findings. The final report is due by Jan. 1, 2006.

"I am pleased by the participation of so many people in this large effort to examine the potential need for additional electric generation in Michigan," said MPSC Chairman J. Peter Lark. "We know the time to prepare for electric reliability is now, not after a problem exists. Today's status report provides my fellow Commissioners and I with valuable information as we work with others to ensure that the power keeps flowing in Michigan in the next five, 10 and 20 years."

Highlights of the report are:

- Participants have been divided into five work groups: electric demand; central station generation; alternate renewable energy generation; transmission; and integration. Each work group produced a draft report. An analysis was performed on three regions: Southeast Michigan, the rest of the Lower Peninsula and the Upper Peninsula.
- Current resources are adequate to meet existing need. Electric demand is expected to grow by about 2 percent annually. The report anticipates the need for new resources of between 400 and 500 megawatts (MW) by 2009. (A new electric generating plant typically would be between 500 and 1,000 MW.) The final report will include recommendations on the best resources that would meet this need. Available resource

options include new power plant generation (including peaker, cycling and base load plants, using a variety of different fuel sources); expanded transmission; renewable energy technology; energy efficiency and demand response programs; and combined heat and power options.

Commissioner Robert B. Nelson, whose term as a Commissioner ends on July 2, noted that he supported the Commission's investigation on capacity needs, which required the Staff to look at "alternative sources of generation capacity," as well as potential base load capacity from utilities. He added that the Staff should be commended for the excellent work thus far. "This status report on the Capacity Needs Forum identifies a number of scenarios that should be considered in determining how to best meet Michigan's growing need for electricity," Nelson said.

"I firmly believe," he continued, "that the Commission must consider the availability of power and other resources, including energy efficiency, demand response and renewable energy, in conjunction with the broader regional market before making the policy decisions that will be required in Phase II of the investigation. At that time, the expertise of my colleague, Laura Chappelle, who has served as an officer in both the Organization of MISO States and the Organization of PJM States, will be vitally important." Nelson added that "we should not limit our policy options to guaranteeing cost recovery for companies that, a few short years ago, were compensated for the fact that major components of their existing generation fleet were not able to compete in the regional market."

"I commend the Commission staff and other participants in the Capacity Need Forum for the many hours of study, analysis, and hard work that preceded this interim report," said Commissioner Laura Chappelle. "This is a matter that I regard as being of the utmost importance.

"Going forward, I expect the staff and participants to show due diligence in their efforts to develop conclusions and recommendations that may serve as a template for future decisions. It is my hope that the outcome of this process will be a balanced work product that fully evaluates any determination of need for new resources at some future point in time within the context of Michigan's needs to secure electric reliability, low rates, competitive alternatives, and economic growth.

"I further expect that projections would be based on demonstrably sound methodologies that lend as much confidence as possible to their accuracy and objectivity. I urge the forum participants not to focus solely on the possibility of constructing new base load plants as the means of meeting future needs, but to fully and fairly consider such resource options as enhanced transmission capabilities and technologies, power imports in a market environment, renewable resources, and demand response. Any resource that the forum recommends must be demonstrably cost-effective relative to other options and must be the

least burdensome alternative for Michigan ratepayers.”

To read the entire report, visit the MPSC Web site: [michigan.gov/mpsc](http://michigan.gov/mpsc).

The MPSC is an agency within the Department of Labor & Economic Growth.

Case No. U-14231