

THE BALANCED ENERGY INITIATIVE:

Consumers Energy's Plan to Meet Growing Customer Power Needs

The Balanced Energy Initiative will help maintain affordable and reliable supplies of electricity for customers by offering energy efficiency, demand management and renewable energy sources, along with developing new power plants and using existing generation resources.



Despite Michigan's current economic conditions, overall customer demand for electricity keeps growing.

DESPITE MICHIGAN'S current economic struggles, the need for additional electric supplies continues to grow statewide.

In 2007, Consumers Energy's 1.8 million electric customers used 39 billion kilowatt-hours of power, an increase of about a billion kilowatt-hours, or 1 percent, from 2006. A typical residential customer uses 8 percent more electricity today than a decade ago.

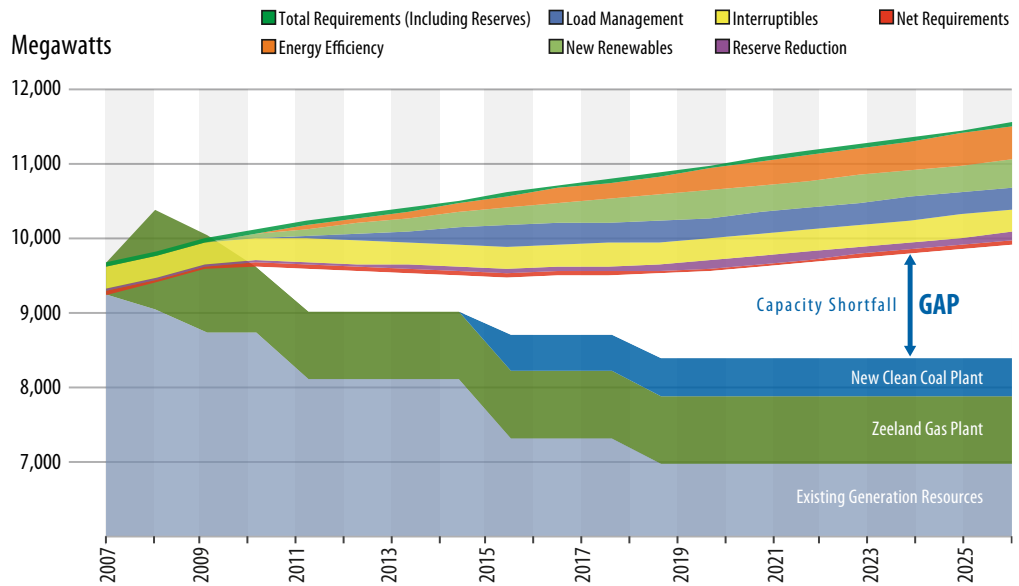
This demand increase can be traced to increased air conditioning use and new electronic devices, such as big screen TVs. For example, plasma televisions use four times more electricity than a regular TV.

Regulators, state legislators and energy industry experts generally recognize that Michigan customers are using more electricity each year.

Developing Michigan's 21st Century Energy Plan and the Balanced Energy Initiative

The 21st Century Energy Plan, which was submitted in January 2007, outlines a balanced approach for meeting growing customer electric demand in 2015 and beyond. That plan found that unless the state acts quickly, families and businesses will face a shortage of power in a few years. The 21st Century Plan calls for meeting the future power needs of Michigan customers through energy efficiency, demand management, renewable energy, and building 9,000 megawatts of new baseload generating capacity between 2015 and 2025. The 21st

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Consumers Energy's Electric Supply Gap

Michigan's 21st Century Energy Plan predicts critical shortfall in electric supply by 2015.

Consumers Energy plans to invest \$6 billion in Michigan's energy resources and infrastructure over the next five years.

Century Energy Plan projects that customers will save \$4 billion over two decades through the use of a balanced portfolio approach.

Consumers Energy agrees with that approach and in

response developed the Balanced Energy Initiative, a comprehensive plan to meet the growing energy needs of its electric customers over the next 20 years. That plan, which was filed in May 2007, calls for meeting rising customer needs through energy efficiency, demand management, expanding renewable energy sources, and developing new power plants, along with utilizing existing generating resources.

Consumers Energy plans to invest \$6 billion in Michigan's energy resources and infrastructure over the next five years, primarily to implement the Balanced Energy Initiative and its aggressive targets for customer energy efficiency, demand management, and renewable energy. The utility projects that it can make those "Growing Forward" investments — creating jobs and boosting the economy — and still keep electric rates affordable. For the record, Consumers Energy's rates today are below the national average.



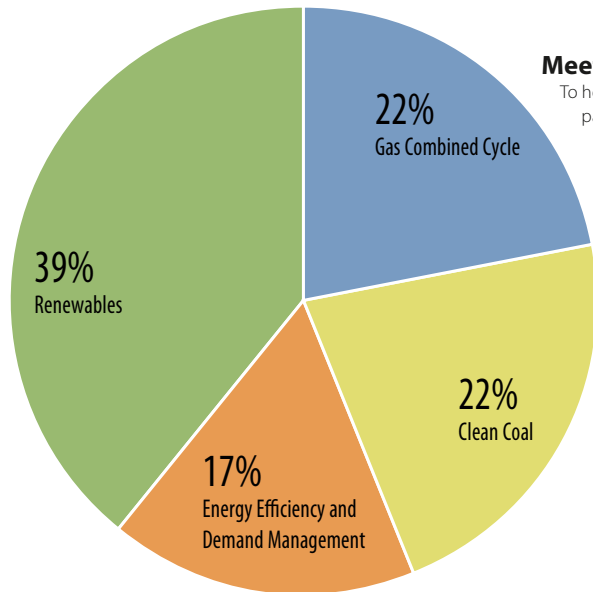
In September 2007, the company announced plans to build a new 800-megawatt clean coal unit at the Karn/Weadock Generating Complex near Bay City, Mich. This plant will include the most advanced commercially available environmental controls, as well as an accommodation for future post-combustion capture of carbon dioxide.

Consumers Energy already is moving aggressively to implement the Balanced Energy Initiative. In September 2007, the company announced plans to build a new 800-megawatt clean coal unit at the Karn/Weadock Generating Complex near Bay City, Mich. This plant will include the most advanced commercially available environmental controls.

In December 2007, Consumers Energy closed on the purchase of a 935-megawatt natural gas-fired generating facility near Zeeland, Mich., after receiving expedited approval for the purchase from the MPSC.

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Consumers Energy's Plan to Meet Growing Customer Power Needs



Meeting Electricity Demand 2008 — 2015

To help meet Consumers Energy's electric supply gap (see chart, page 2), the Balanced Energy Initiative outlines the capacity additions at left to meet customer demand. This assumes a 10 percent renewable energy portfolio standard by 2015.

Increasing Renewable Power Supplies

Gov. Jennifer Granholm has identified alternative energy as a key area to help diversify and grow Michigan's economy. In this year's State of the State address, she urged the members of the Michigan House and Senate to adopt a 10 percent renewable portfolio standard by 2015 for the state as part of a comprehensive energy policy package.

Today, 5 percent of the power that Consumers Energy supplies to its customers comes from renewable sources. The utility already has started the work needed to double that to 10 percent by 2015. The bulk of that new renewable power is expected to come from wind turbines. Consumers Energy currently plans to build and operate about half of the capacity needed and to buy the other half from other companies.

The interest in renewable energy is clear. More than 13,000 customers have enrolled in Consumers Energy's successful Green Generation program, which is designed to encourage the development of renewable energy in Michigan. The city of Grand Rapids is the largest customer enrolled in the program today.

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Calling for a Comprehensive Energy Policy

Michigan's 2000 electric deregulation law utilized a hybrid approach that essentially deregulated the state's customers, allowing them to get their power from alternate suppliers, if they wished. After nearly eight years of this deregulation experiment, only a few hundred high-volume customers on Consumers Energy's system get their power from alternate suppliers. The alternate suppliers serve about 3 percent of Consumers Energy's load and about 2 percent of DTE Energy's load. Not a single residential customer has ever chosen an alternate supplier.

The 21st Century Energy Plan called for reform of the law, saying as it stands now, it creates barriers for the substantial, long-term investment needed to provide Michigan with new baseload generation.

State policy-makers have made it a priority to develop comprehensive energy legislation, including reforms to Michigan's electric deregulation law needed to set the stage for major new investment in Michigan's electric power infrastructure. The adoption of those changes should allow Consumers Energy to fully implement its "Growing Forward" strategy of investing \$6 billion in the utility over the next five years.



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The purchase of the 935-megawatt Zeeland plant helps to fill that gap and meet the intermediate and peak demand needs of its customers.

Enhancing Customer Service Technology

Another aspect of Balanced Energy Initiative is developing demand management programs, which can be enabled through a high-tech meter system called Advanced Metering Infrastructure (AMI). This initiative will strengthen the information flow between the utility and its 2.9 million customers. It also would help customers reduce their energy costs.

AMI's technology would provide customers with detailed energy consumption and price information so they can make informed decisions about when and how they use energy. Part of the technology involves replacing 1.8 million standard electric meters with "smart" electric meters in homes and businesses.

Building New Baseload Plants and Investing in Existing Plants

The initial implementation of the Balanced Energy Initiative is projected to be met from energy efficiency, demand management and new renewables. Even with those steps, a gap still will exist between the rising customer demand and the electricity supply available.

The purchase of the 935-megawatt Zeeland plant helps to fill that gap and meet the intermediate and peak demand needs of its customers. Consumers Energy plans to fill more of the gap by constructing a new 800-megawatt clean coal power plant near Bay City.

The Balanced Energy Initiative represents one of the largest job creation and economic investment programs in Michigan.

Consumers Energy expects to use 500 megawatts of electricity from the plant to serve its customers. Other parties would own 300 megawatts of the output.

The new clean coal plant represents a significant economic development opportunity for the Bay County area and Michigan. It is estimated to create about 1,800 jobs at the peak of construction as well as strengthen the area economy and tax base based on a report submitted by Development Research Partners.

The direct and indirect statewide economic impact of construction of the new clean coal plant has been estimated at \$1.2 billion over a seven-year period, based on a report submitted by Development Research Partners.

From Consumers Energy's viewpoint, a clean environment, sustainable energy policy, and a solid economy are tightly linked. Balancing these priorities — the "3Es: Environment, Energy and Economy" — is critical as Michigan and the nation set energy policy for the 21st century. ■

Consumers Energy