

# Balanced Energy

## INITIATIVE

### Fact Sheet

- Consumers Energy has developed the Balanced Energy Initiative, a comprehensive plan to meet the energy needs of its 1.8 million electric customers for the next 20 years.
- The Balanced Energy Initiative calls for meeting the growing electric needs of customers through energy efficiency, demand management, expanding renewable energy, and developing new power plants, along with utilizing existing generating resources.
- Consumers Energy filed the Balanced Energy Initiative on May 1, 2007 with the Michigan Public Service Commission.
- This initiative was developed in response to the 21<sup>st</sup> Century Energy Plan issued earlier in 2007 by the chairman of the Michigan Public Service Commission.
- The 21<sup>st</sup> Century Energy Plan recognized that customers in Michigan are using more electricity every year and if we don't act now the state won't have enough power to meet its needs in a few years.
- The 21<sup>st</sup> Century Energy Plan and the Balanced Energy Initiative also recognize that legislative and regulatory changes are needed so the new power plants needed to serve customers can be financed and built.
  - Specifically, the state's electric choice law (PA 141) will have to be repealed or significantly reformed so our state has an energy policy that will allow new power plants to be financed and built.
  - That crucial energy policy question already is being discussed in the Legislature.
  - Consumers Energy is ready to work with the Legislature, the governor's office, and the MPSC to help make the changes needed to help secure the state's energy future.

- We need to have this discussion now and start working on short-term, intermediate, and long-term actions, as described in our Balanced Energy Initiative filing.
  - Some things can be launched quickly, such as energy efficiency and demand management programs.
  - But it can take seven to 10 years to bring a baseload power plant online to serve customers, so we can't wait.
  - As a state, we need to make sure we have policies that allow for a balance of energy sources and strategies, including energy efficiency and renewable energy sources.
  
- The Balanced Energy Initiative will allow us to move forward on several fronts at the same time to make sure our customers will have the power they need in the future while keeping prices reasonable for families and businesses.
  
- The highlights of the Balanced Energy Initiative are:
  - Endorses the 21<sup>st</sup> Century Energy Plan position that all customers in the state can benefit from a well-designed, cost-effective, energy efficiency program. We believe that the 21st Century Energy Plan target for reduction via energy efficiency is very aggressive and won't be achieved without strong involvement by the state's utilities.
  - Demand management programs that would let customers volunteer to help lower power peaks by allowing limited interruptions to their air conditioning and continuing existing interruptible service programs.
  - Supplement our successful Green Generation program so renewable energy makes up 10 percent of the electricity that customers use. (It's now 5 percent.)
  - Adding about 500 megawatts of gas-fired combined cycle capacity by 2011 by purchasing an existing facility or building a new facility.
  - Constructing a new 750 megawatt clean coal generating facility on an existing Consumers Energy site and have it in operation in 2015. The expectation is that municipal utilities or other parties would own 250 megawatts of that plant, which would use state-of-the-art emissions controls.
  - Preserving the option to build a second coal unit to take advantage of the economies of scale from building two units and to accommodate the interests of other parties interested in sharing new capacity.
  
- To implement the Balanced Energy Initiative, Consumers Energy endorses the policy recommendations of the 21<sup>st</sup> Century Energy Plan:
  - Repeal or significant reform of the electric choice law
  - A new, up-front certification policy for major baseload power plant investments, giving the MPSC oversight of:
    - Project design features
    - Environmental controls
    - Construction plans
    - Costs
  - Consumers Energy expects such a policy would require competitive bidding for the engineering, procurement, and construction of a plant. Those three areas typically make up about 85 percent of the cost of new power plant.

- The Balanced Energy Initiative will provide significant economic development benefits for Michigan. The new power plants described in the Balanced Energy Initiative represent an investment of \$2 billion or more the state's infrastructure.
  - Building those plants would create a couple thousand good-paying jobs for highly skilled workers.
  - There also would be several hundred ongoing, good-paying jobs to operate and maintain the plants once they're built.
  - Local communities and the state also would receive the benefits of an expanded tax base from these significant investments.
  - Michigan also would have the power it needs to fuel future economic growth.
- The expansion of renewable energy sources, as described by the Balanced Energy Initiative, also has the potential to create jobs and strengthen the state's economy.
- Consumers Energy agrees with the 21<sup>st</sup> Century Energy Plan conclusion that failing to make these policy changes will put Michigan at risk of running short of electricity in a few years and relying more heavily on buying power on the open market.
- If Michigan's policy isn't changed and the status quo continues, customer needs will have to be met through power purchases on the open market, renewable energy development will continue at its current pace, and only a limited demand management program is likely to be put in place.
- As power demand continues to rise in Michigan and in the Midwest region, power prices are expected to rise, pushing bills higher for customers and exposing customers to unpredictable market fluctuations and higher bills.
- The Balanced Energy Initiative is designed to avoid that scenario by addressing customer energy needs on a long-term, comprehensive basis.