MICHIGAN
JOBS & ENERGY
COALITION

Core Coalition Members

Consumers Energy

DTE Energy

Michigan Chamber of Commerce

Michigan Manufacturers Association

Michigan Building and Construction Trades Council
Building Michigan Union

Detroit Regional Chamber

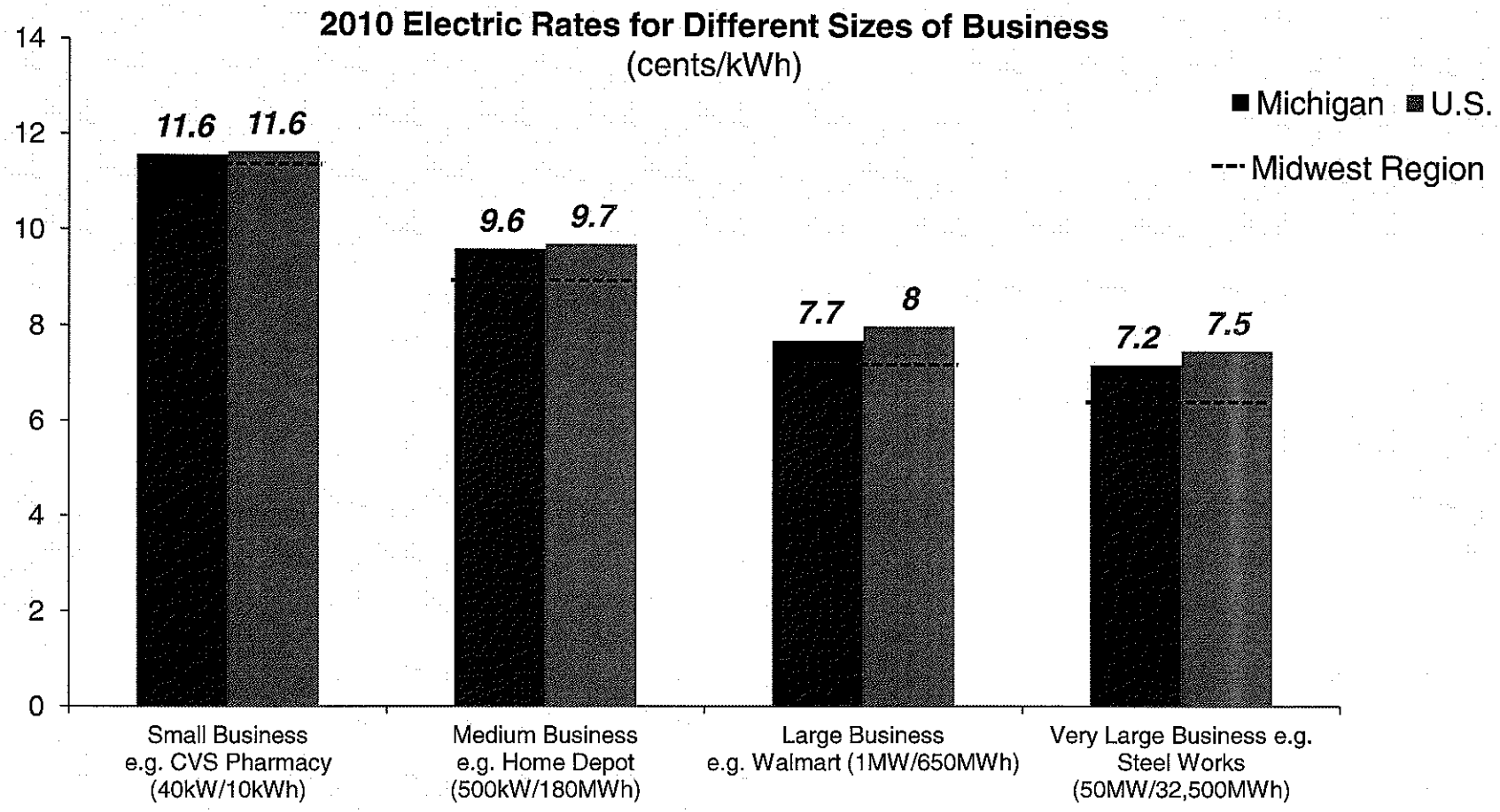
Today's Discussion

1. 2008 P.A. 286 and P.A. 295 objectives achieved
2. Hometown utilities deliver major economic impact
3. Hometown utility investments and cost cutting measures power Michigan's future
4. An examination of deregulation and "choice" provide guidance for Michigan's future energy policy
5. Are jobs growing under PA 286 and PA 295? What policy should Michigan pursue going forward?

Michigan's Energy Policy

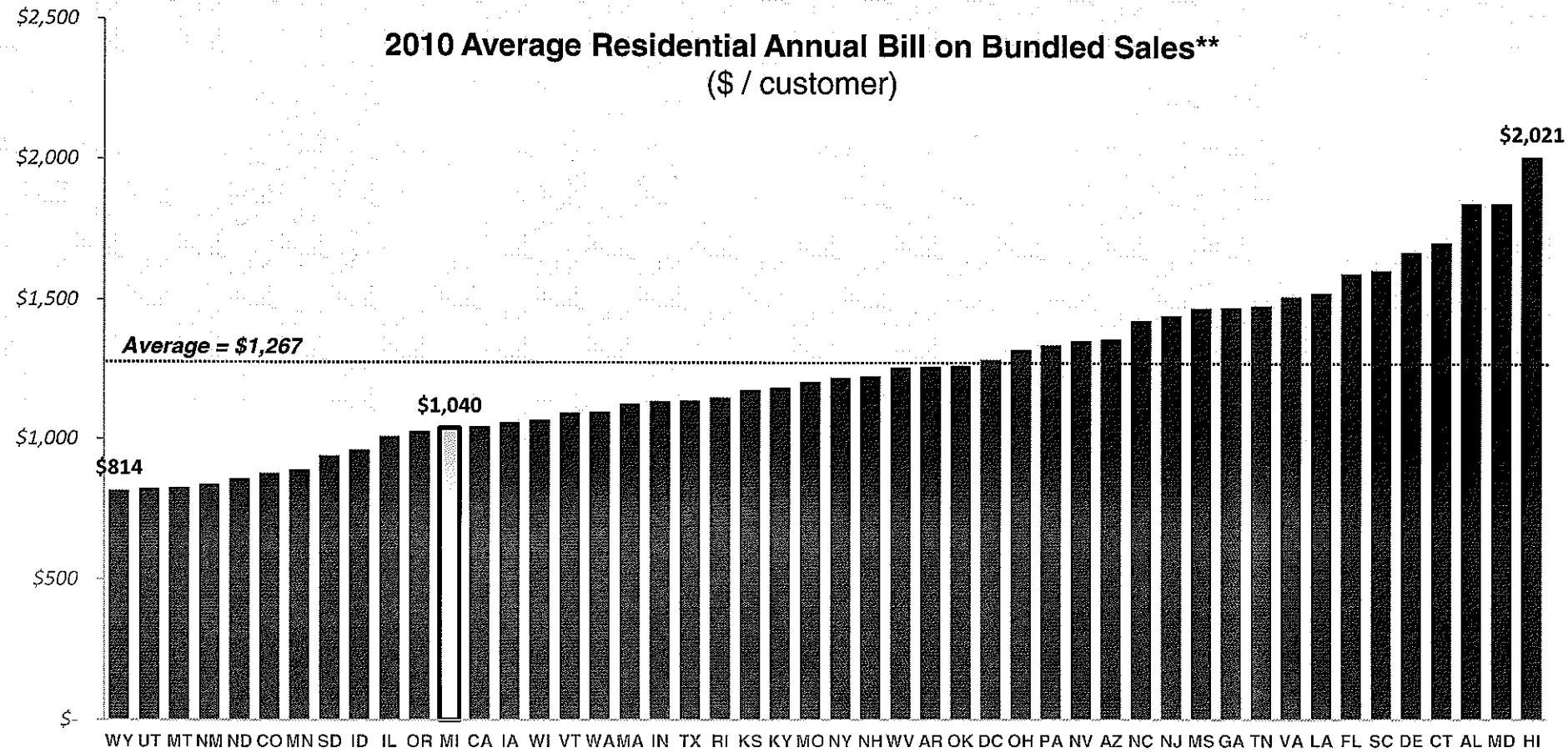
- ✓ Stability
- ✓ Efficiency
- ✓ Sustainability
- ✓ Investment
- ✓ Growth

Michigan's business rates are fair & competitive



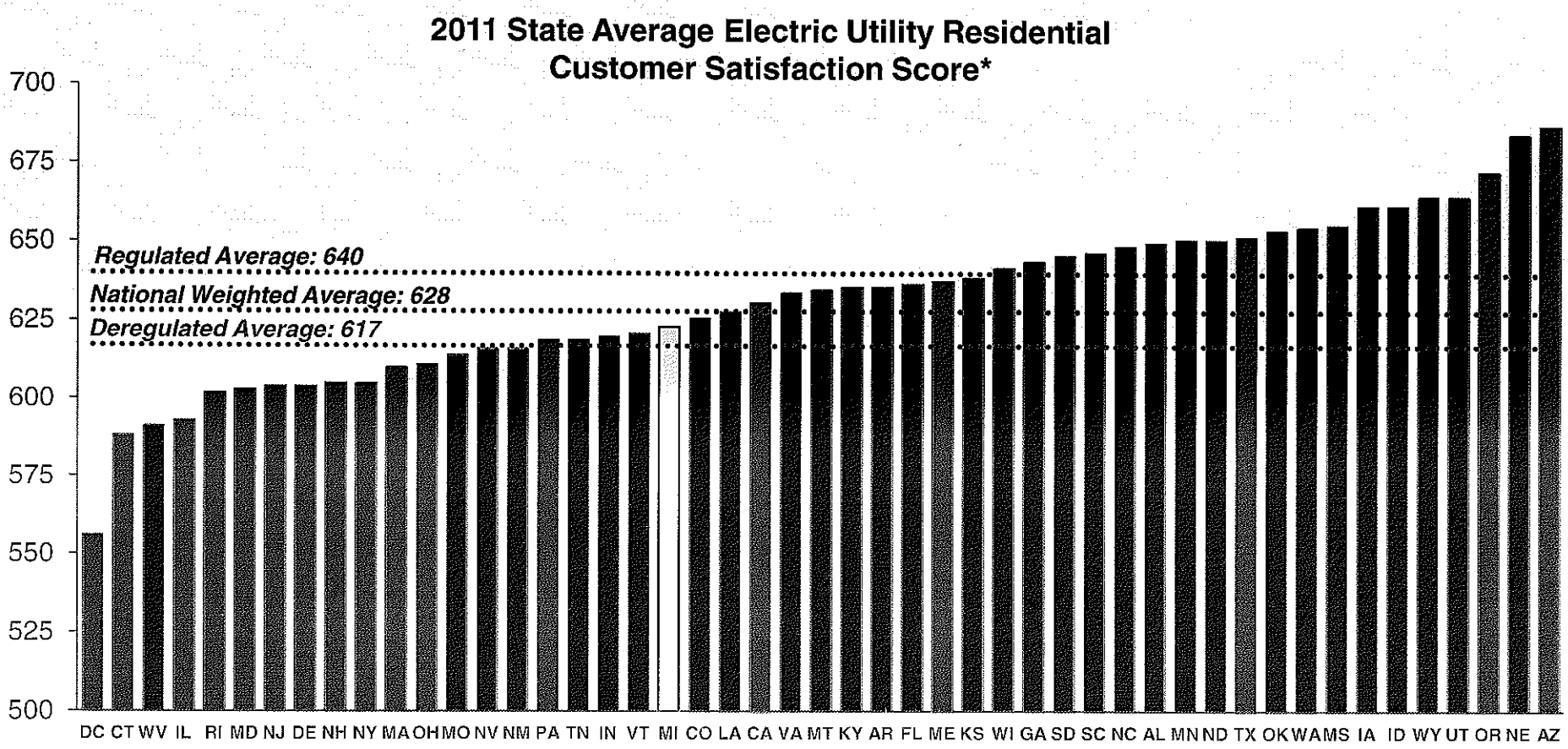
Source: Typical Bills and Average Rates Report, Winter 2011, Edison Electric Institute

Overall, Michigan residential customers have one of the lowest annual bills in the nation



Source: SNL Analysis of Company FERC Form 1 Data

Deregulated states generally have lower customer satisfaction



* State customer satisfaction score is calculated as the average utility score weighted by customer count
Source: J. D. Power Electric Utility Residential Customer Satisfaction Survey

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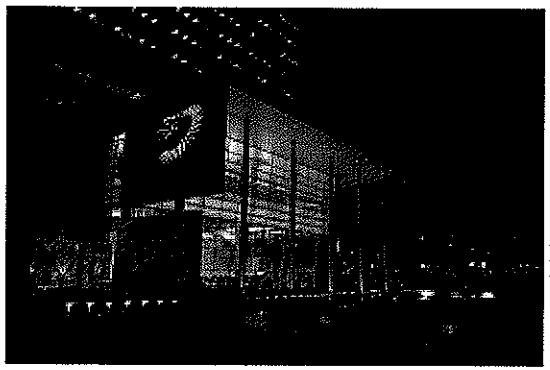
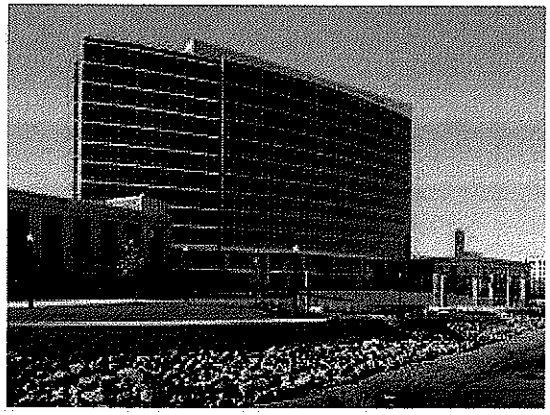
Michigan's hometown utilities are major contributors to the state's economy





- DTE Energy and CMS Energy are Michigan's 6th and 7th largest for-profit employers, employing about 18,000 people over the past 5 years
- Over 90,000 in-state shareholders directly own DTE and/or CMS stock
- Within the next 5 year period, DTE and CMS plan to invest over $13 billion
- Annually, CMS and DTE pay $435 million in property taxes to state and local governments

Source: DTE/CMS 2010 annual reports, DTE/CMS internal estimates, Crain's Detroit Business

Michigan's hometown utilities have supported more than 70 local and regional economic development groups

THE RIGHT PLACE
Advancing the West Michigan Economy

ANN ARBOR SPARK
IGNITING INNOVATION

southwest michiganfirst
The Kalamazoo Region's Economic Catalyst

The Enterprise Group of Jackson, Inc.

DetroitRegionalChamber

TRAVERSE
CITY AREA CHAMBER OF COMMERCE

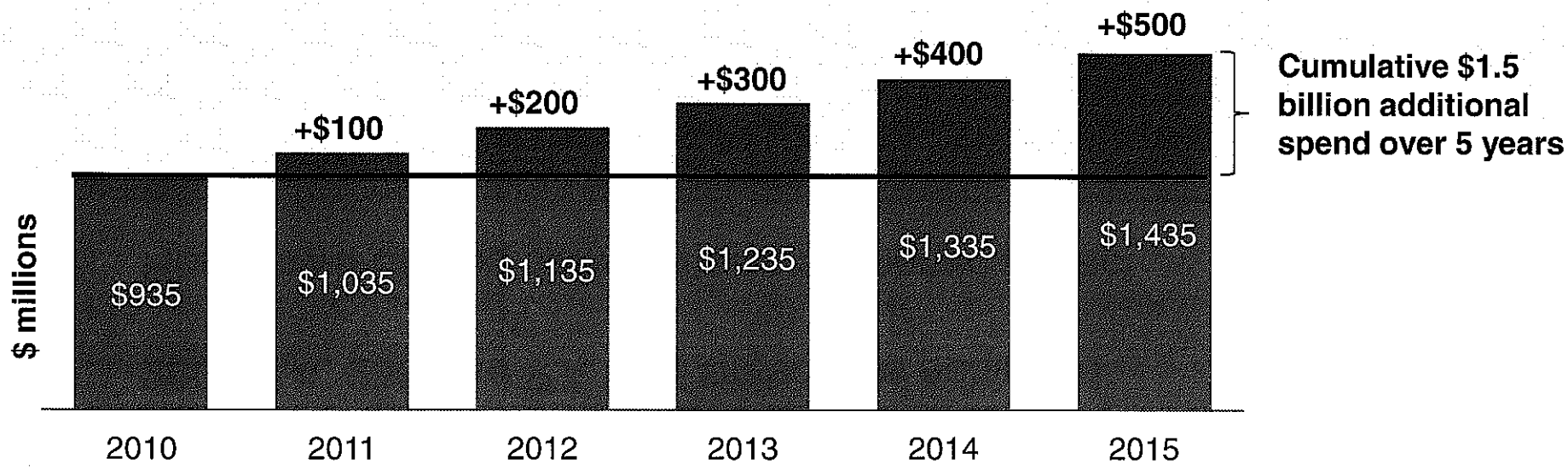
AUTOMATION ALLEY

saginaw FUTURE

BATTLE CREEK UNLIMITED

Michigan's energy policy enables a $1.5 billion boost to the state's economy

PURE MICHIGAN® Business Connect



Note: *Chart shows Tier 1 Purchase Order spend only, number excludes $1.06 Billion of CMS Energy in-state fuel and purchase power agreements*

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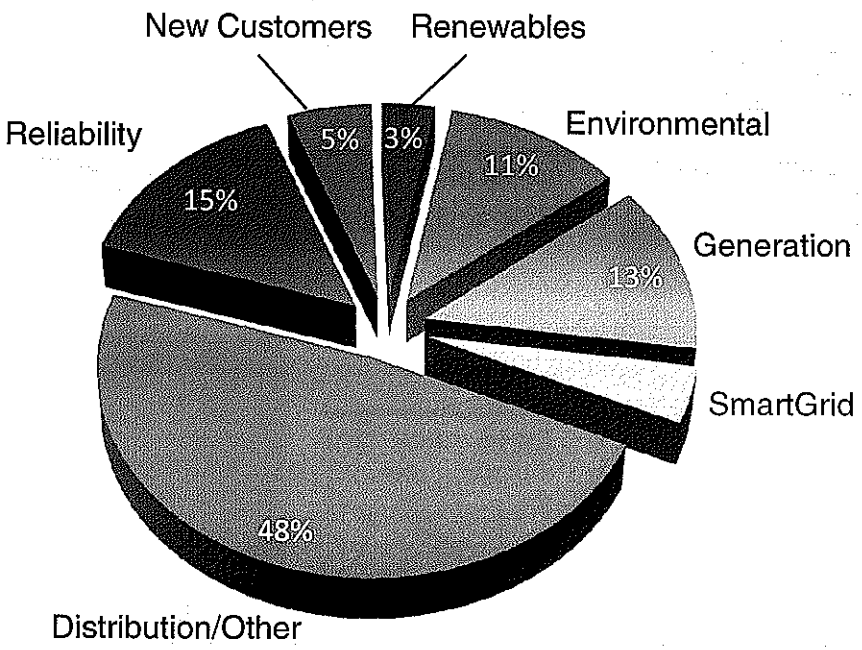
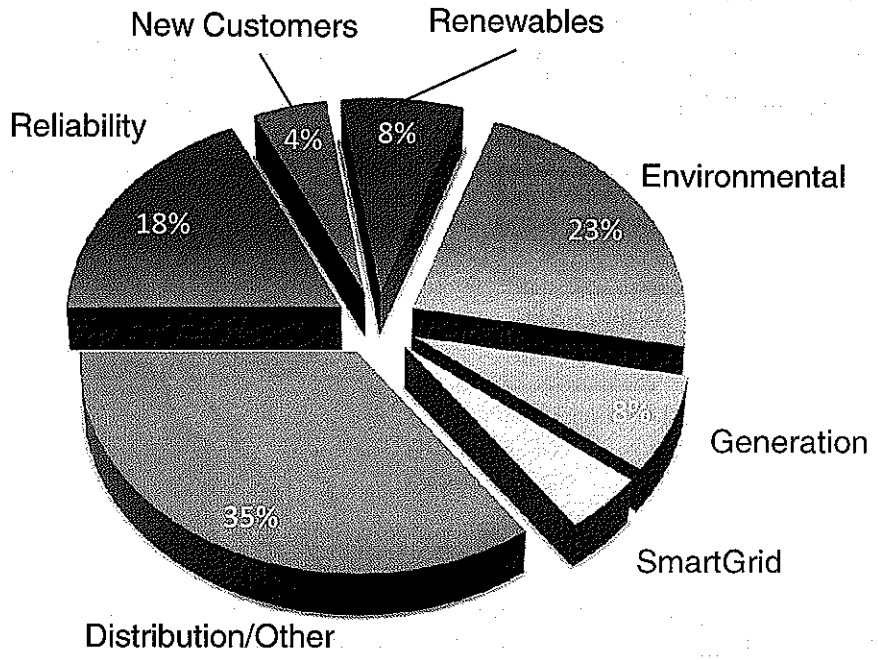
Consumers Energy's Investments

2009-2011



$2.8 Billion (Average $930 million annually)

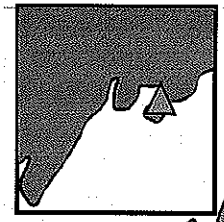
2012-2016



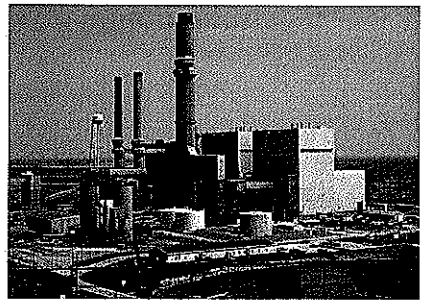
$6.6 Billion (Average over $1.3 billion annually)

Consumers Energy's Major Investments

Lake Winds
Energy Park
$235 million



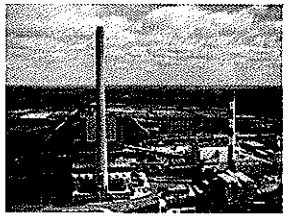
Karn/Weadock
Generating
Complex
$480 million



Ludington Pumped
Storage Plant
(CE Share $430)

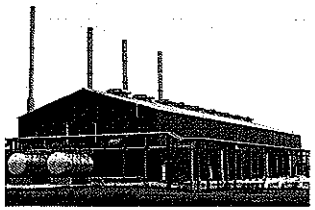
Cross Winds
Energy Park
$370 million Phase I

Ray Compressor Station
$125 million



Campbell Generating
Plant $730 million

West Oakland Pipeline
$70 million

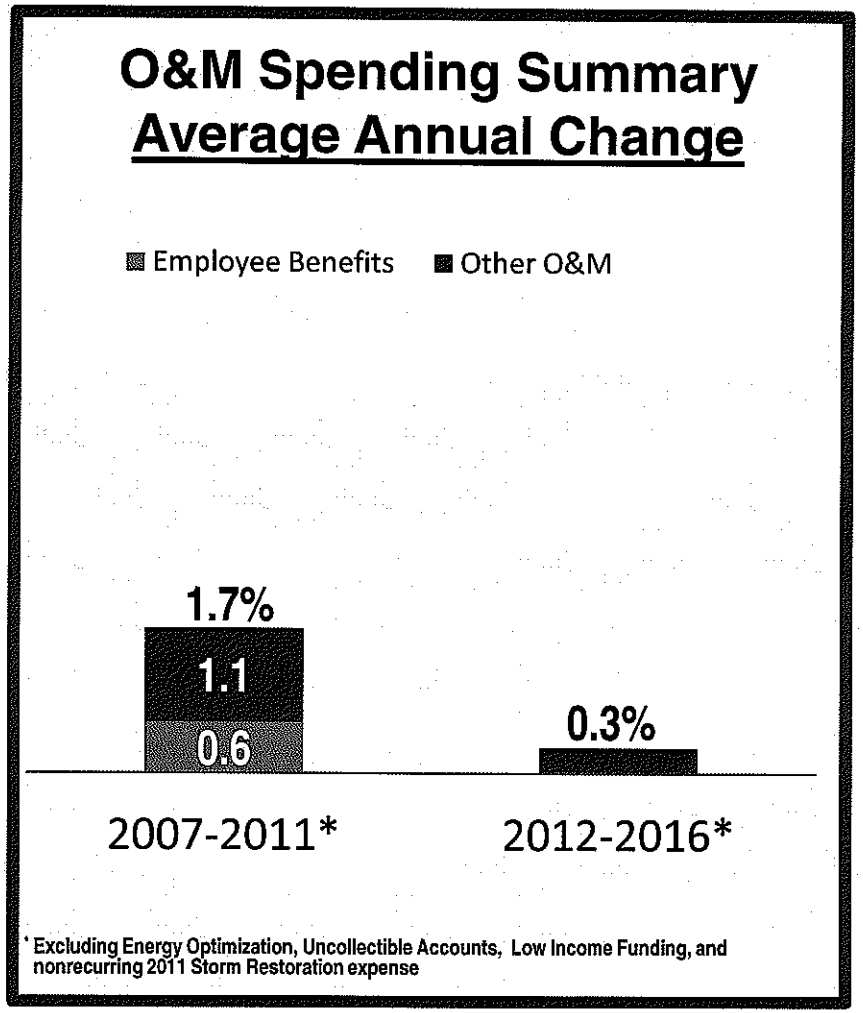


White Pigeon Compressor
Station
$75 million

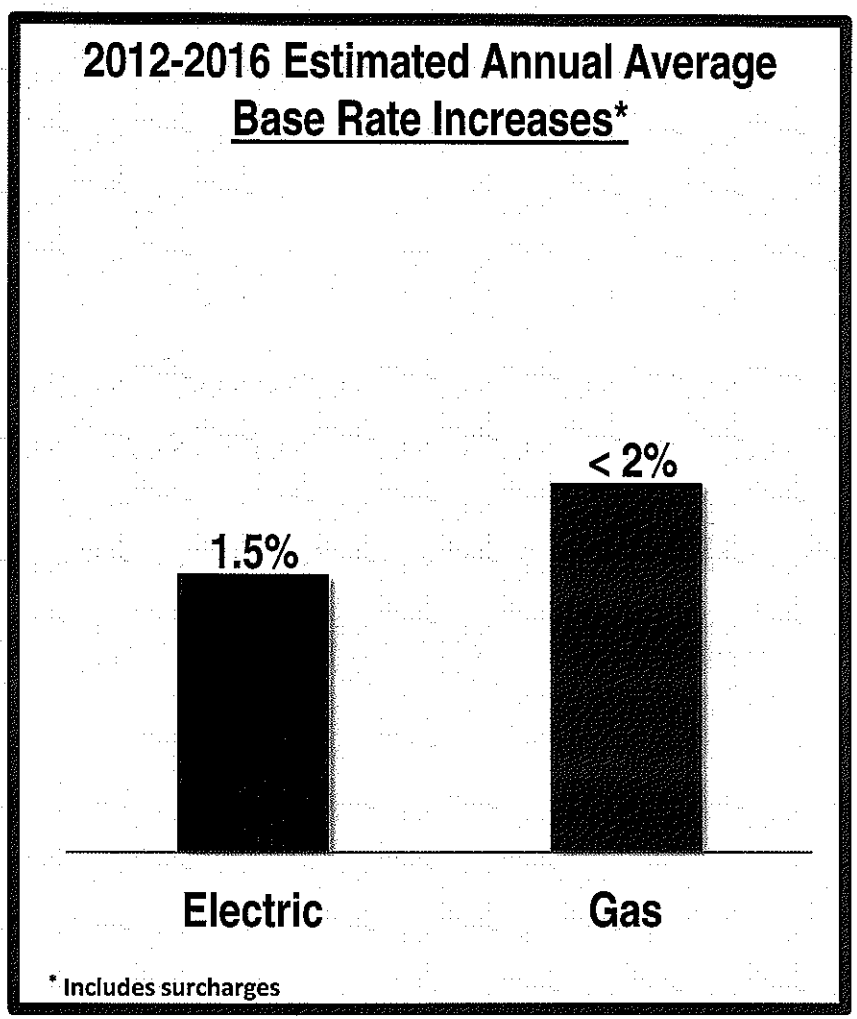
Smart Grid $125 million (to date)
$750 million statewide

Continued Strong Focus on Cost Containment

- Consistently among benchmark leaders in cost management
- Utility Restructuring
- Reduced benefits costs (70/30 split)
- Eliminated legacy costs going forward
- Conversion to western coal saving customers $250 million+/annually
- Reduced customer renewable energy surcharge – $54 million

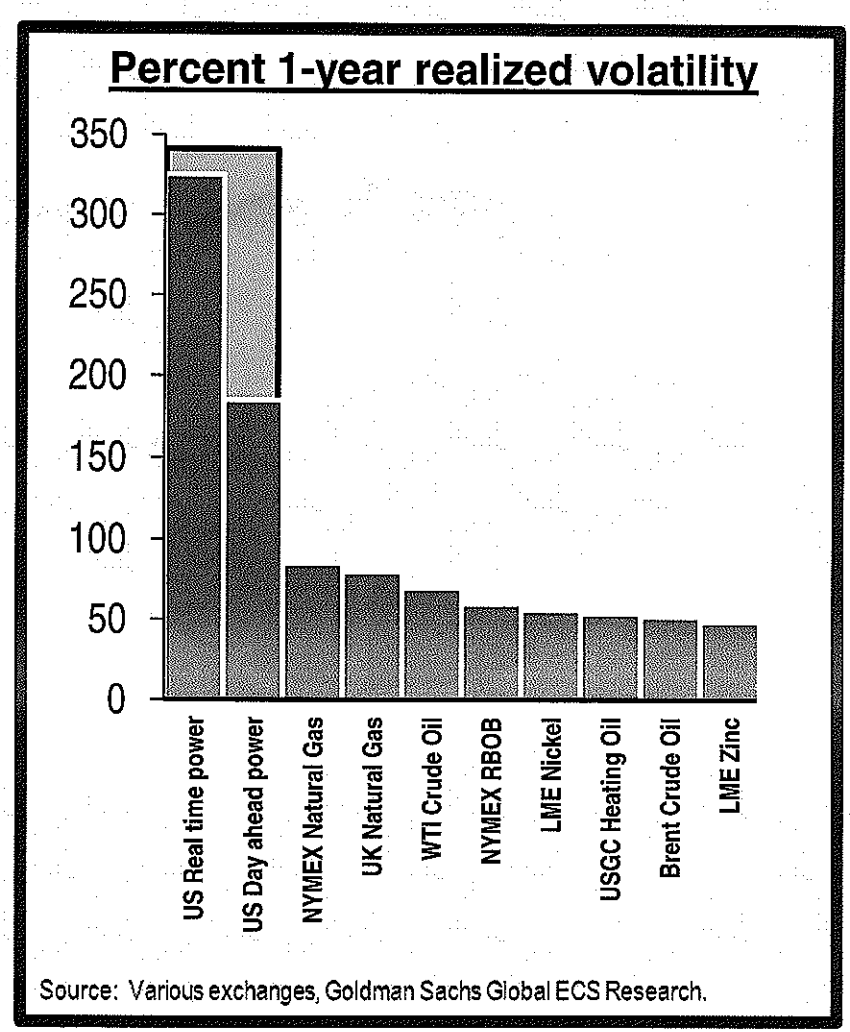


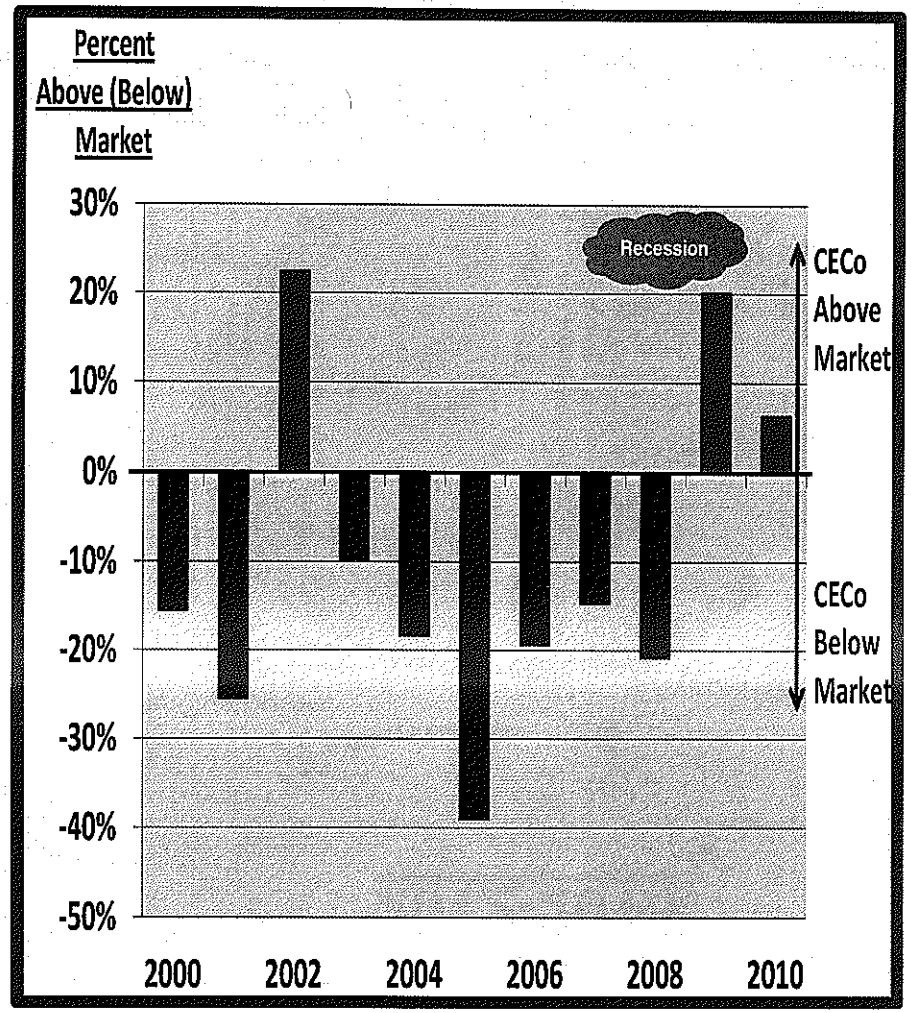
Competitive Rates and Customer Benefits



- Michigan Investment
- Public and Employee Safety
- Improved System Reliability
- Cleaner Environment
- Growth in Renewable Energy
- Customer Value Initiative
- Energy Efficiency – Customer Savings
- Competitive Rates

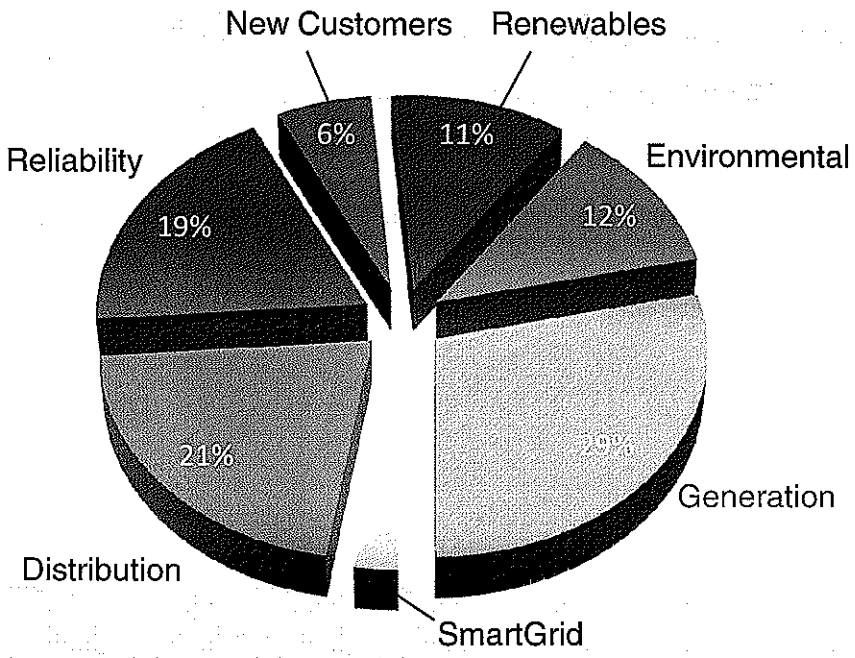
Stable Prices/Oversight vs. Volatile Market





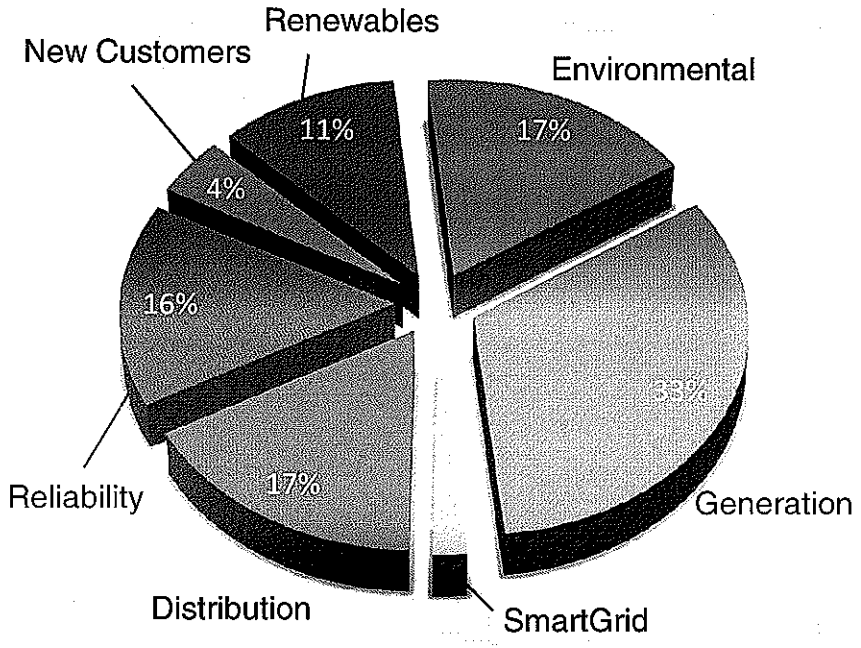
2008 energy policy enables DTE Energy to invest in Michigan's energy future

2009-2011



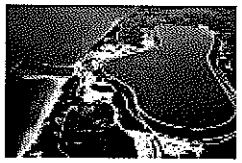
$3.4 Billion (Average $1.1 billion annually)

2012-2016

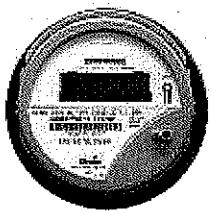


$7.7 Billion (Average $1.5 billion annually)

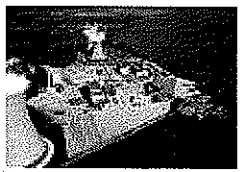
DTE Energy's major investments



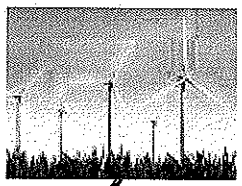
Ludington Pumped Storage
DTE Share $400 million
($40 M per year over 10 years)



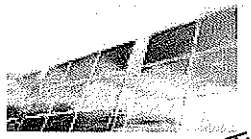
SmartCurrents
$170 million
(2010-2012)



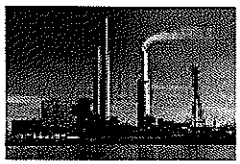
Potential New Unit at Fermi Complex



Wind Developments
Thumb, Gratiot,
$650 million
(Through 2016)



Solar Installations
Ford, GM, BCBS,
MCCC, others
$100 million
(Through 2015)

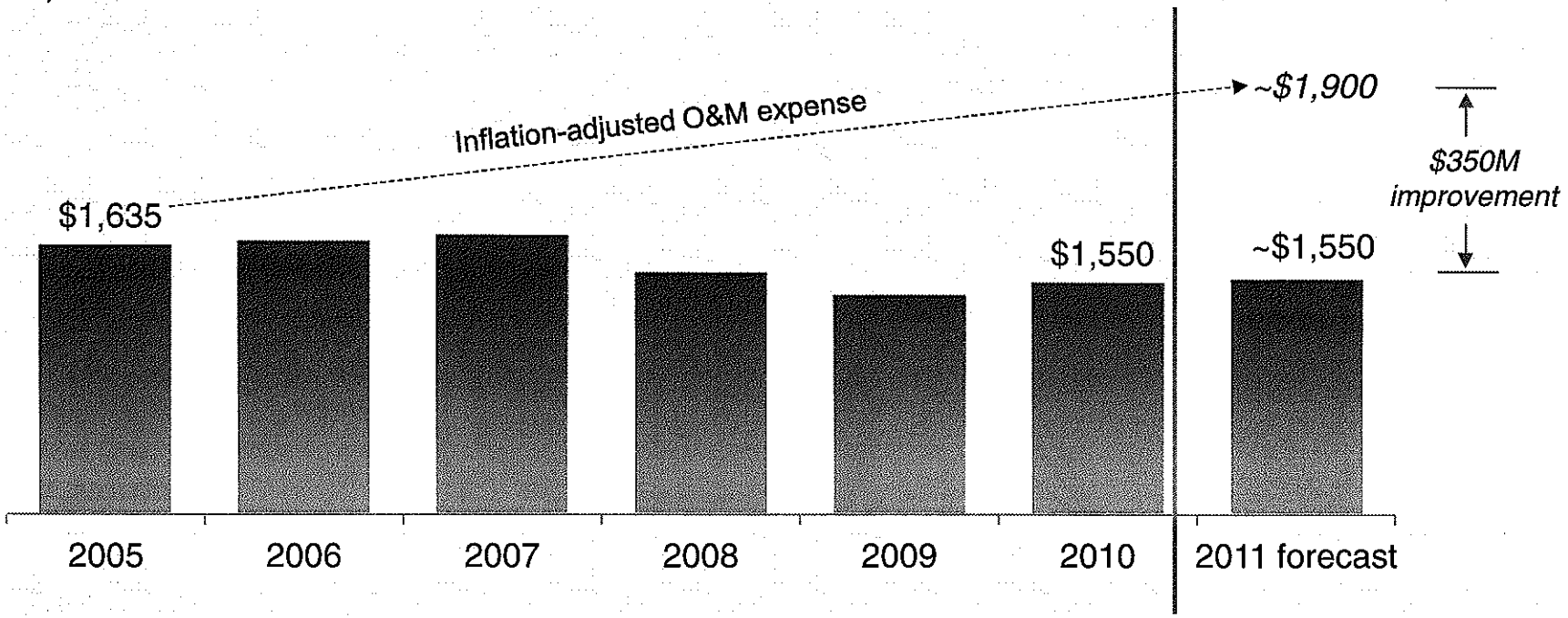


Monroe Power Plant
Environmental Upgrade
$800-$900 million
(2011-2013)

DTE Energy cost cutting measures

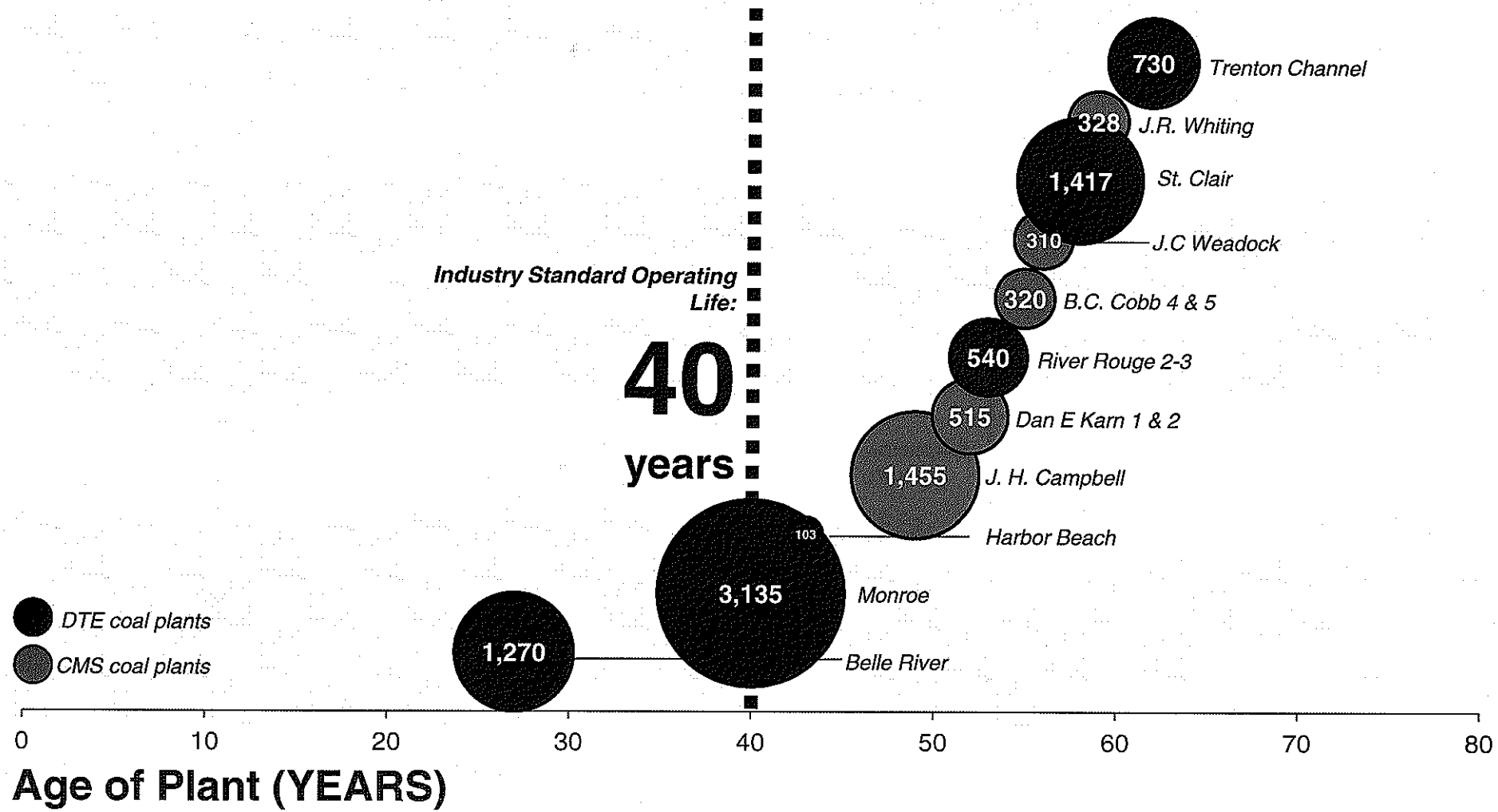
Utility Operations and Maintenance Expense*

($ millions)

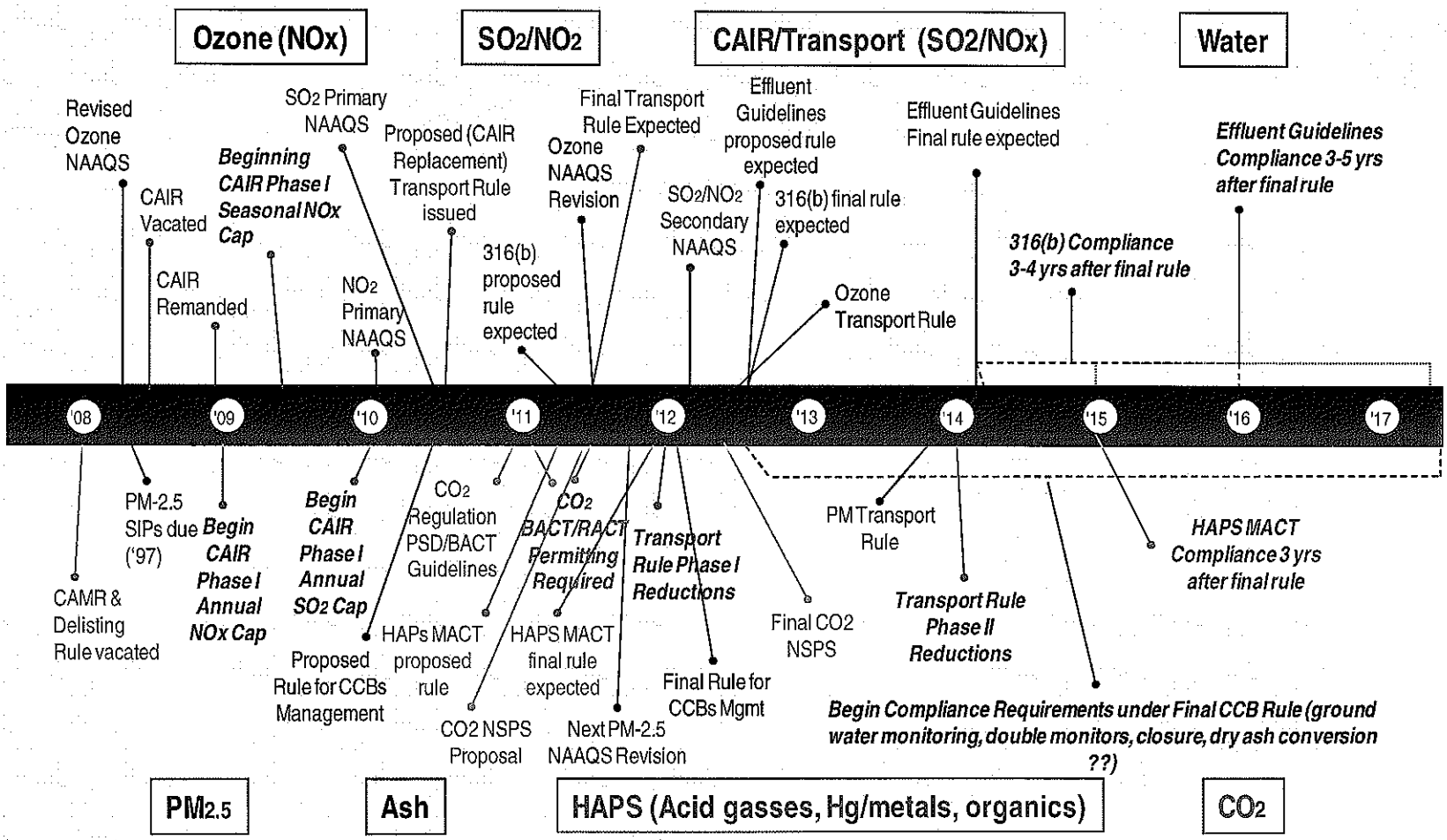


** Detroit Edison and MichCon combined O&M; excludes bad debt expense, energy efficiency and renewable energy; 2007 also excludes $57M in nonrecurring computer system and storm expense*

Over the next decade, important power plant decisions must be made

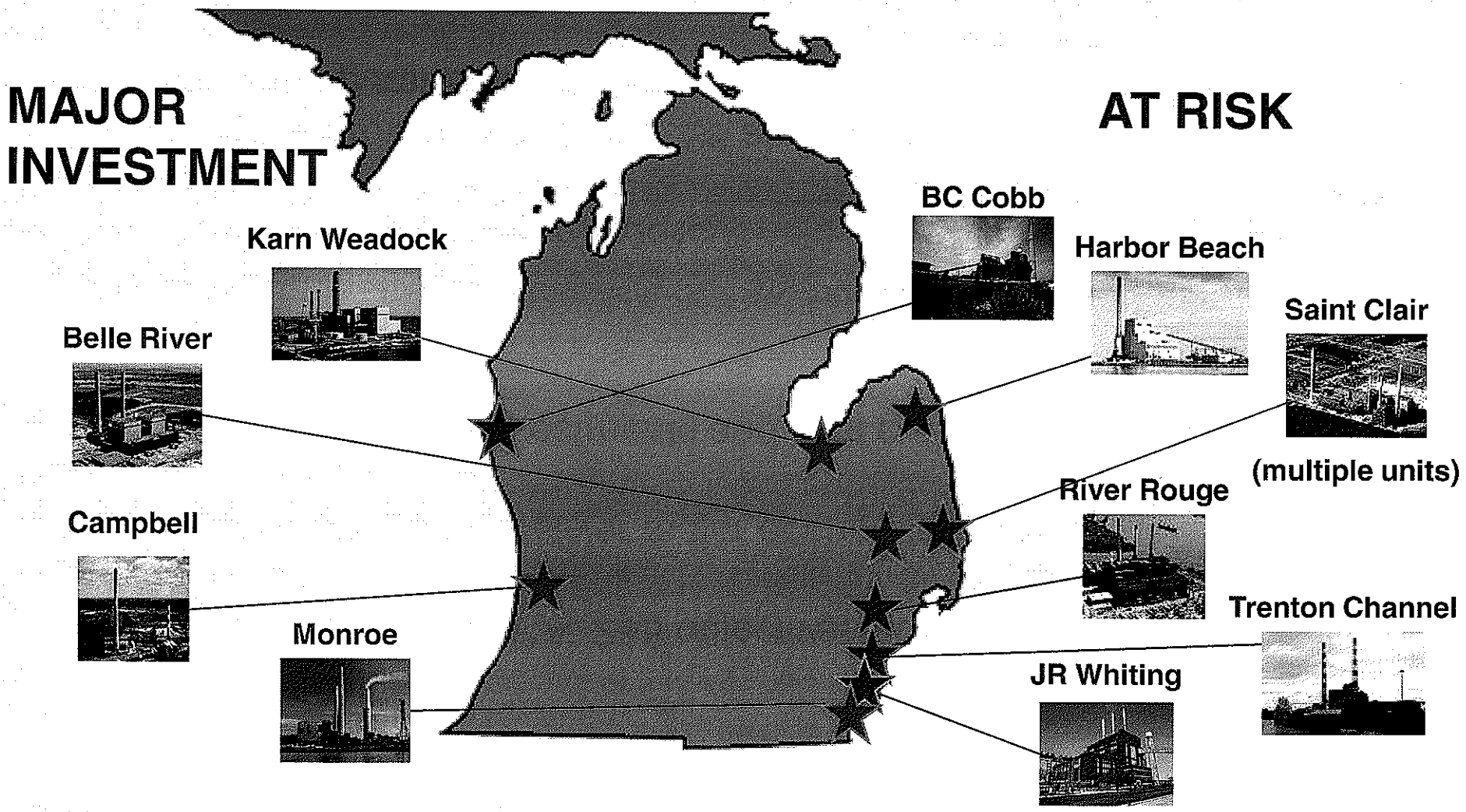


EPA's impending regulatory "train wreck"



-- adapted from Wegman (EPA 2003) Updated 01.05.11

EPA regulations could force DTE and CMS to shut down power plants



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History and Context

- Under PA 141 of 2000. Michigan moved with the nation toward deregulation (23rd state to change policy of supporting vertically integrated, fully regulated utilities) in an attempt to lower energy prices
  - Michigan's model allowed all customers to shop for deregulated power
  - Michigan utilities did not have to divest their power plants
  - Michigan utilities maintained their obligation to serve all customers

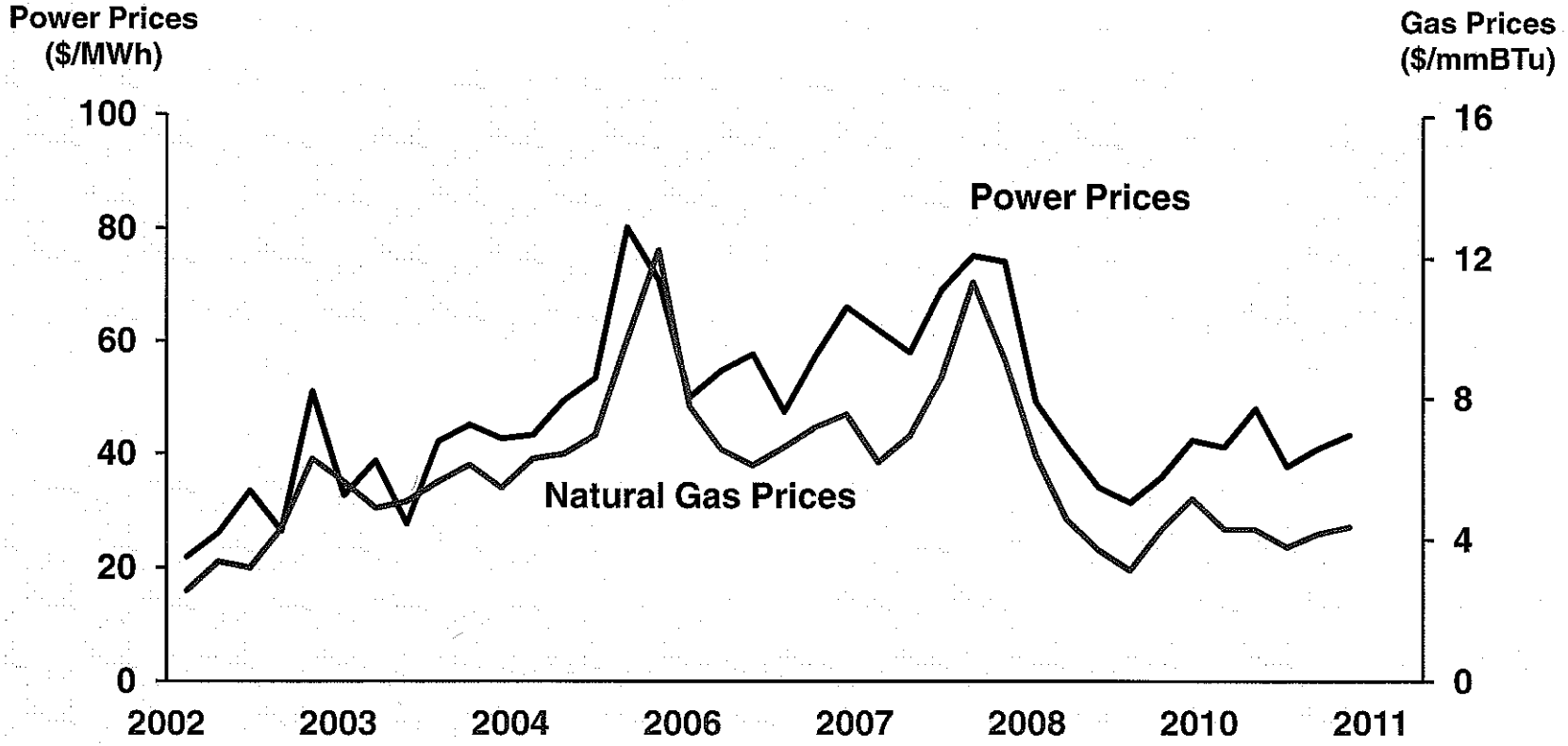
- Between 2000 and 2005, when natural gas prices were low and deregulation was in vogue, deregulated merchant power plants sprung up, only to go bankrupt within years when gas prices soared

- Michigan's merchant plants in Covert and Zeeland were among those that went bankrupt, undermining investor confidence in merchant power plant developments

- Meanwhile, Michigan "choice" shoppers were scurrying for the safe haven of regulated power to avoid huge price increases in the deregulated market

Electricity market pricing is driven by volatile natural gas prices

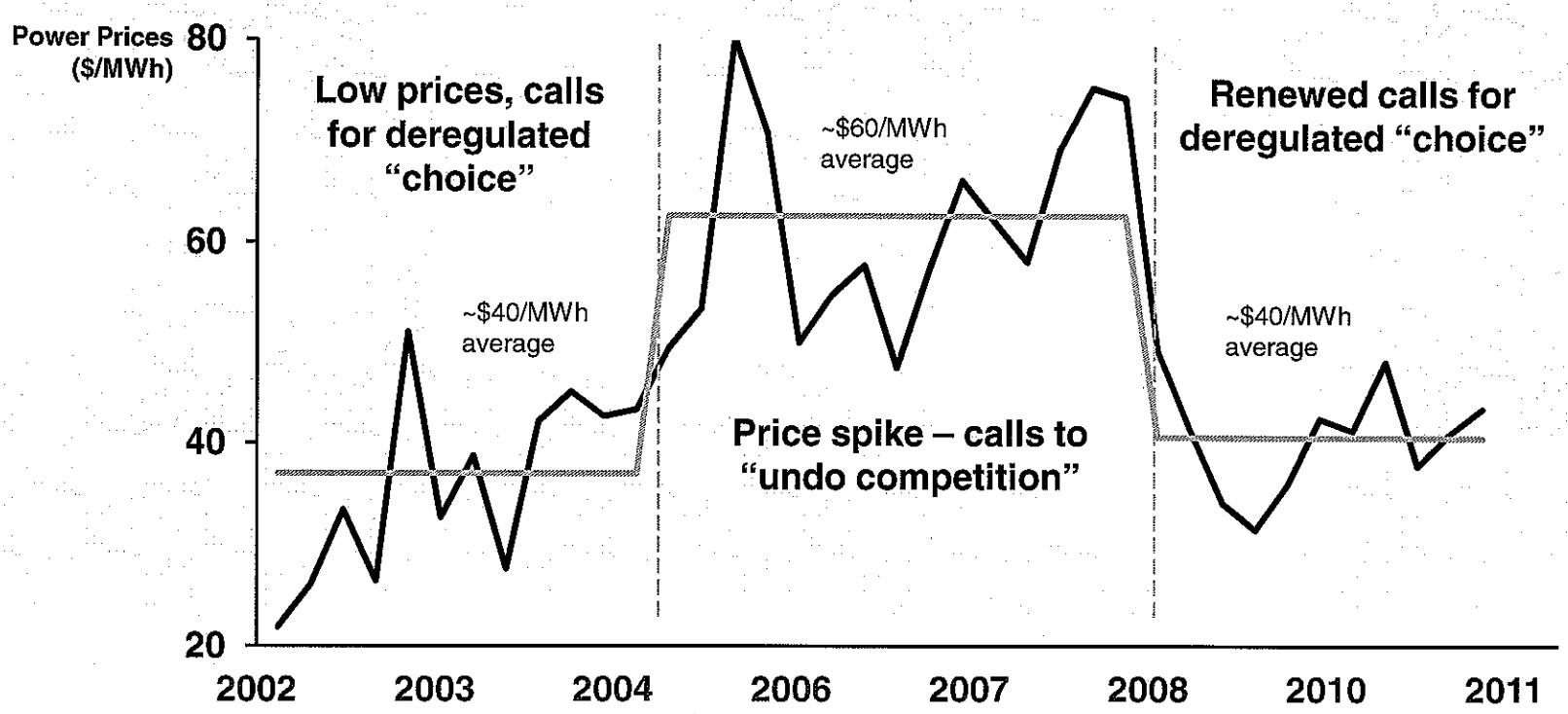
Midwest ISO On-Peak Wholesale Power Prices* and Natural Gas Prices
(Quarterly)



** Based on Cinergy hub*
Source: Energy Velocity; Midwest Independent System Operator Market Reports, ICE

Customers only switch when market prices are low

Midwest ISO On-Peak Wholesale Power Prices*
(Quarterly)

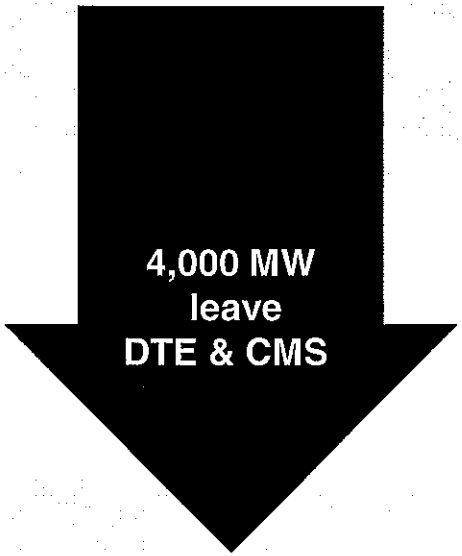


** Based on Cinergy hub*
Source: Energy Velocity; Midwest Independent System Operator Market Reports, ICE

Choice provides some customers a free option to leave and reenter the regulated price regime as market prices move up and down

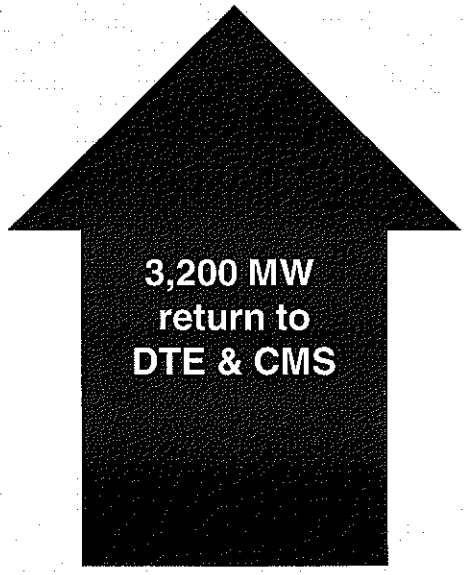
Before 2005

Low prices, calls for deregulated "choice"



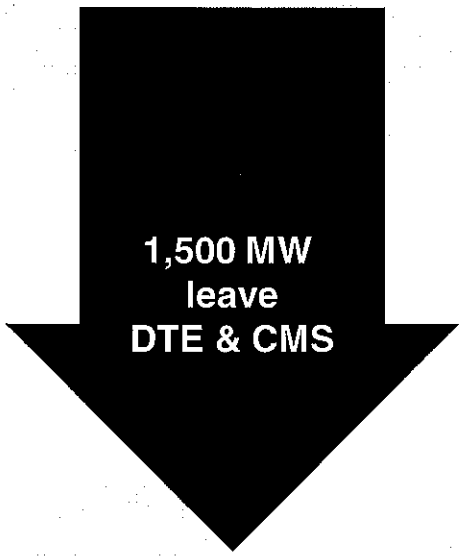
2005 to 2009

Price spike – calls to "undo competition"



2009 to Current

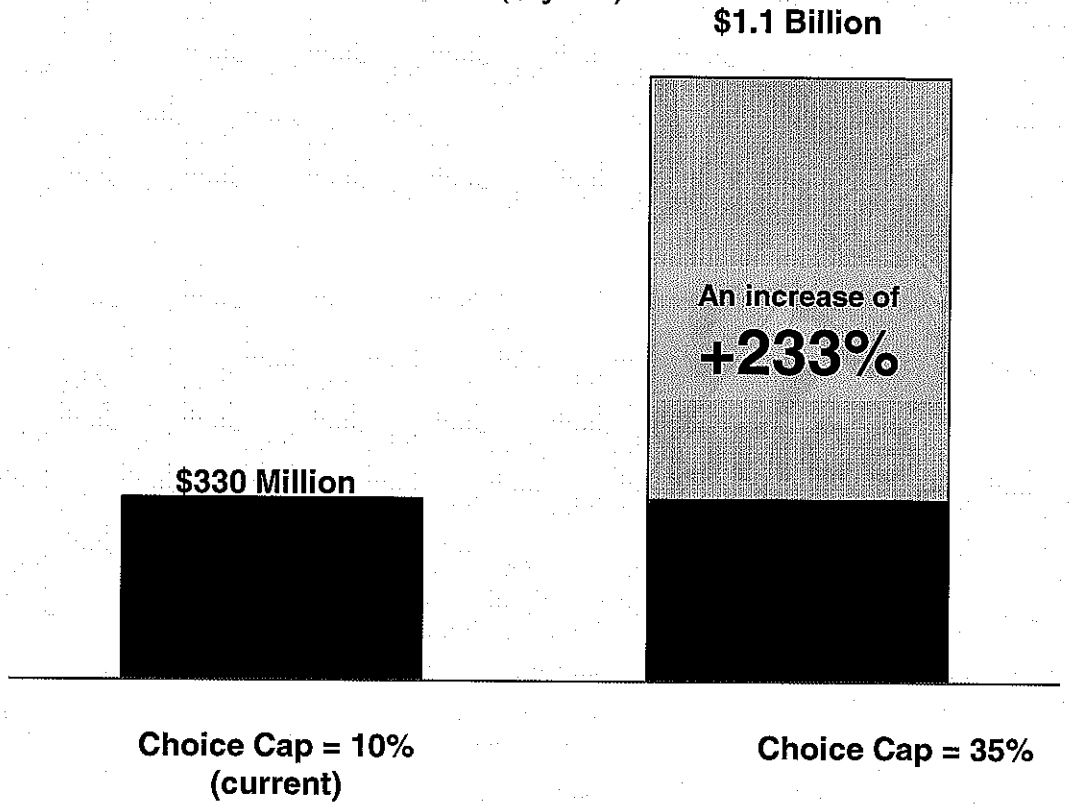
Low prices, calls for deregulated "choice"



Note: Calculation of generation MWs moving to and from Choice includes transmission losses and reserve margin requirements

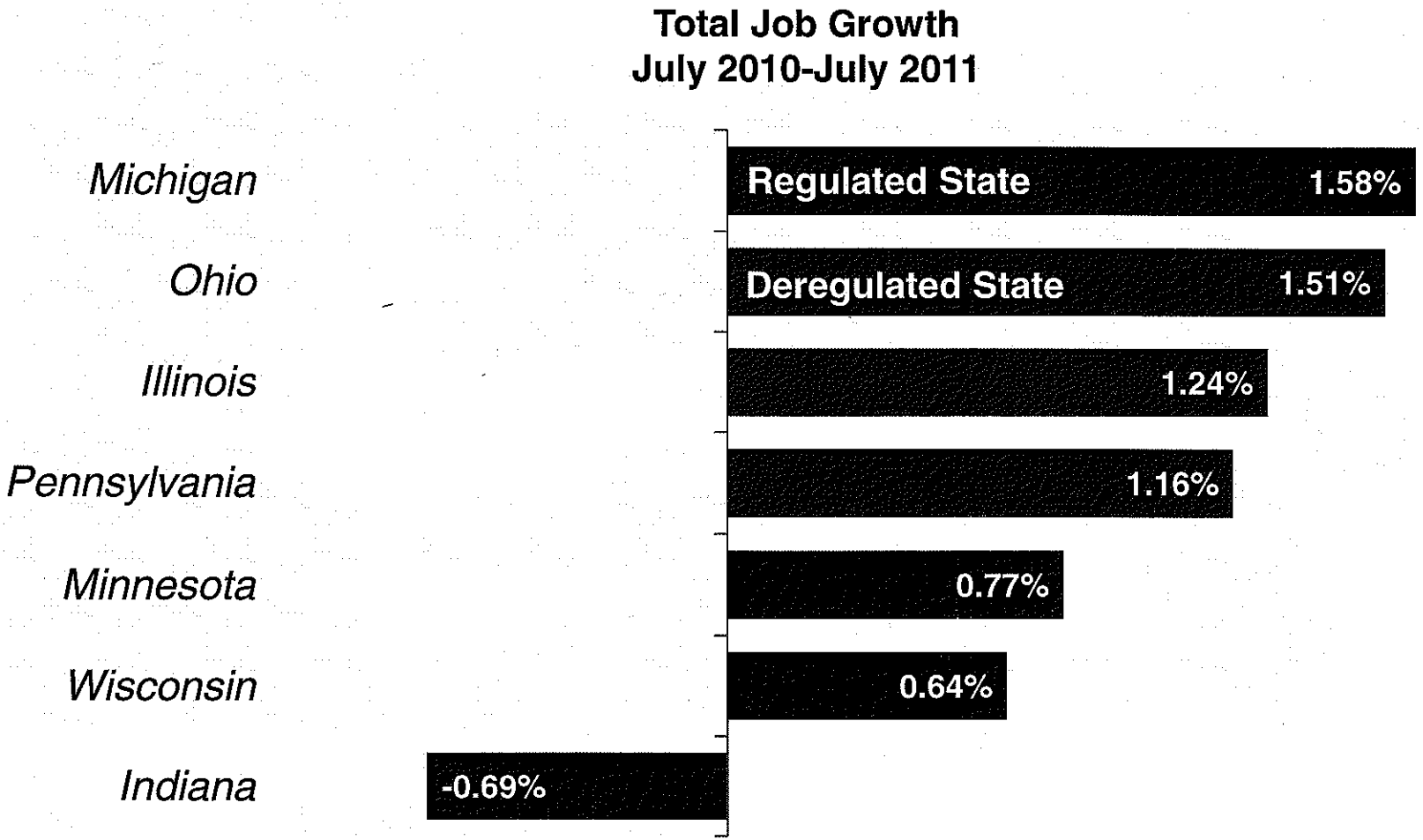
"Choice" customers are subsidized at great cost by utility customers

Annual Amount of Fixed Costs Shifted to Remaining Utility Customers in Michigan
($/year)



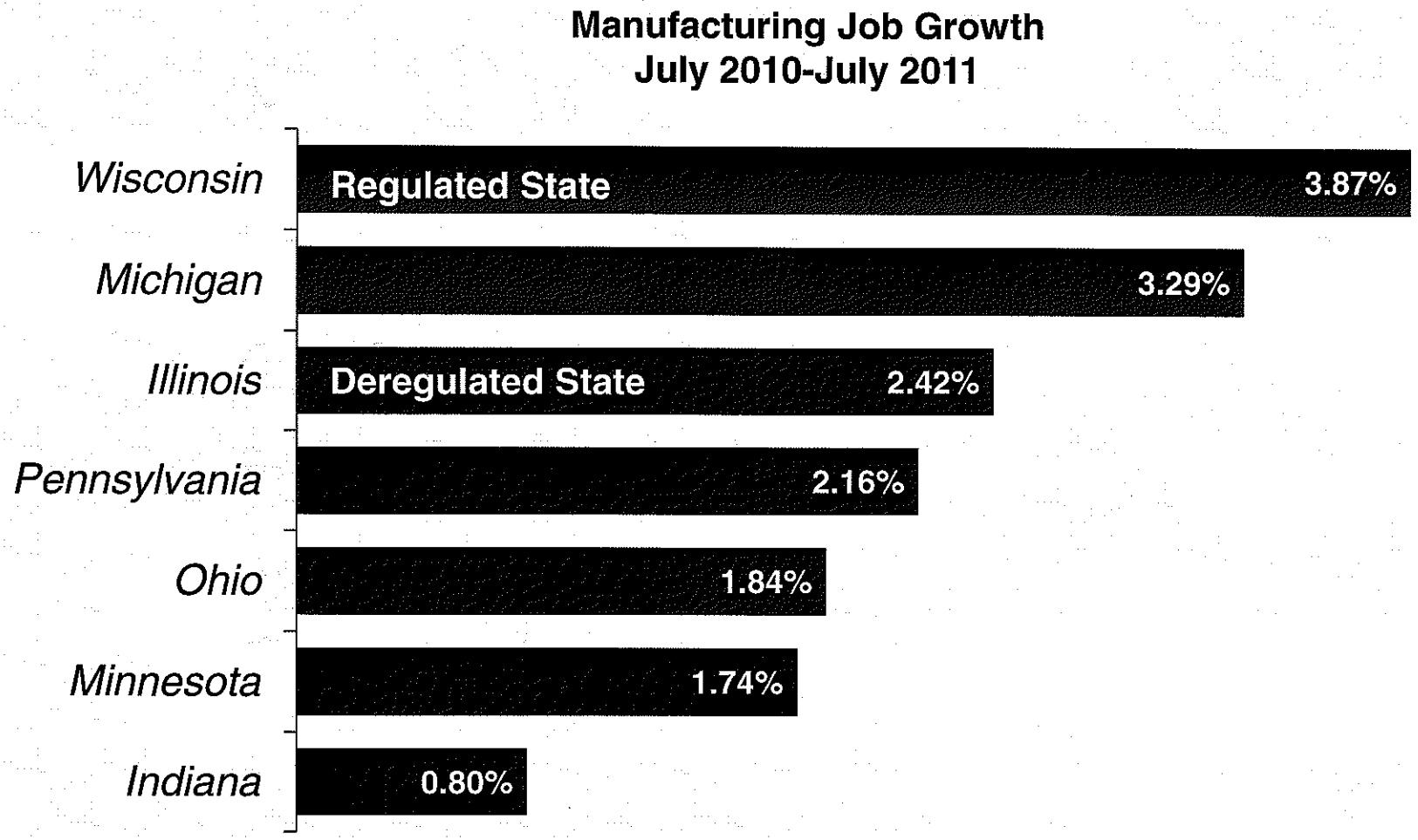
Source: Michigan Public Service Commission rate filings, DTE and CMS team analysis

Over the past year, Michigan has enjoyed best-in-region job growth



Source: Bureau of Labor Statistics

Michigan's manufacturing job growth has significantly outpaced nearby deregulated states over the past year



Source: Bureau of Labor Statistics

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