

SENATE ENERGY AND TECHNOLOGY COMMITTEE
September 17, 2015

NEXTERA ENERGY RESOURCES, LLC

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Jason Utton – NextEra Energy Resources Director, Business Development

Chairman Nofs, Vice Chairmen Proos and Hopgood, and members of the Senate Energy and Technology Committee:

My name is Jason Utton and I am the Director of Midwest Business Development for NextEra Energy Resources, LLC. Thank you for the opportunity to testify today on the subject of SB 437 and Michigan's proposed new energy policy.

Today, I would like to accomplish four things:

1. Describe NextEra Energy Resources;
2. Give a brief history of our wind project development in Michigan;
3. Describe the reasons for the success of our wind projects in the Michigan RPS; and finally
4. Provide recommendations for renewable energy policy and laws in Michigan.

NextEra Energy Resources, LLC

My company, NextEra Energy Resources, is a subsidiary of NextEra Energy, Inc., one of America's leading clean energy companies, with consolidated revenues of approximately \$17.0 billion, approximately 44,900 megawatts of generating capacity and approximately 13,800 employees in 27 states and Canada. NextEra Energy operates one of the largest and most diverse fleets of power plants in North America, using natural gas, nuclear, wind, solar and other fuels to generate electricity for millions of Americans every day.

NextEra Energy's other principal subsidiary, Florida Power and Light (FPL), the largest electric utility in Florida and third-largest electric utility in the United States. FPL serves approximately 4.8 million customer accounts across nearly half of the state of Florida. In terms of customers and generation output, FPL is roughly the size of Detroit Edison and Consumers Energy combined. FPL's typical 1,000-kWh residential customer bill is approximately 30 percent lower than the latest national average.

NextEra Energy Resources is a U.S. leader in renewable generation and the largest developer of wind and solar power in North America. We have over 100 wind projects in 19 states and Canada with more than 11,300 MW of wind generation currently in operation. NextEra's over 10,000 wind turbines are capable of generating enough electricity to power about 3.4 million homes.

NextEra is one of Michigan's largest producers of wind energy, providing 370 megawatts of wind generation through four projects: The Tuscola Bay wind farm, located in Tuscola, Bay and Saginaw Counties, has a capacity of 120 MW, and began commercial operations in November, 2012. The Tuscola II wind farm, located in Tuscola County, has a capacity of 100 MW, and began commercial operation in November 2013. The Pheasant Run I and II wind farms, located in Huron County, with a capacity of 74.6 and 74.8 megawatts, respectively, began commercial operation in December 2013 and February 2014, respectively.

Combined, these NextEra Energy wind generation projects represent an investment in Michigan of over \$765 million. And we want to invest more in Michigan. NextEra Energy Resources has other Michigan wind projects currently under development (approximately \$1.5 billion in potential new investment) and is ready to proceed to construction and operation if there is a market for additional renewable energy in Michigan.

Our country confronts unprecedented economic and energy supply challenges. Three critical issues we face are the need for economic strength and vitality; the need to slow or reverse the effects of global climate change; and the need for affordable, reliable energy. Our economy, our environment, our energy supply – the common thread in all three is energy. For nations and communities to thrive, we must have an affordable, reliable, clean supply of energy.

NextEra Energy Resources is helping to address these issues right here in Michigan. We certainly support Governor Snyder's belief that renewable energy, including wind and other clean energy sources, can help reduce our use of fossil fuels while at the same time empowering the future economic growth in Michigan. Wind energy provides diversified income to Michigan farmers, enabling them to retain their land for use to grow crops and related agricultural products.

Wind energy provides much-needed tax income to rural Michigan communities – to schools, libraries and other public services, benefiting the entire community. We estimate that our four projects will contribute approximately \$247 million in land lease payments and state/local taxes

over the first 30 years of operation. In addition to the approximate \$765 million of direct investment and the approximate \$18 million spent locally during the construction of the projects.

History of Success

The NextEra Energy Resources projects, as well as other wind energy projects throughout the state, have a demonstrated history of success in Michigan. According to the Michigan Public Service Commission's 2015 report on the Implementation of Public Act 295 Renewable Energy Standard (Report), issued on February 13, 2015,¹ Michigan wind developers have supplied over 1,500 MW of renewable energy to the state. The most recent contracts approved by the Commission for new wind energy from wind developers have been approved with levelized costs in the low \$50s per MWh range. The recently approved contracts are about 10 percent less than the lowest levelized contract prices in 2011, and 50 percent of the levelized cost of the first few renewable energy contracts approved in 2009 and 2010.

A number of factors have contributed to the decline in the price of wind energy since the Renewable Portfolio Standard (RPS) was implemented in 2008. Most significantly, improvements in wind turbine technology have allowed wind developers to produce energy from new wind farms at a lower cost, and thus offer a lower price for wind energy, which is directly passed on to customers. Competition among experienced wind developers has also contributed to lower pricing over time.

¹ *Report on The Implementation of the PA 295 Renewable Energy Standard and the Cost-Effectiveness of the Energy Standards*, Michigan Public Service Commission, February 13, 2015.

Clearly, Michigan's wind developers have established an exceptionally good record of delivering generating facilities on time, on budget and at affordable prices for Michigan's electricity consumers.

Reasons for Success

I believe that Michigan consumers have directly benefited from cost competitive, reliable wind energy that has been built in Michigan because of the RPS legislation passed in 2008. The predictable RPS demand for our product is a major factor that has allowed for cost-effective wind development in Michigan.

Another major reason for our investment commitment to Michigan was the formula in the 2008 legislation which required that renewable energy projects built to meet the RPS standards be equally owned by independent power producers and utilities. This framework gave the incumbent utilities strong incentives to work with the RPS program and encourage development of renewable energy projects. The 50/50 mechanism also produced a form of price competition which played a major role in the rapid decline of renewable power prices to a point where those prices are fully competitive and, according to the Michigan Public Service Commission, when combined with energy optimization, are lower in cost than both natural gas and fossil fuel alternatives.

Competition works when it is visible and when all parties have incentives to participate. Even more importantly, Michigan's current statutory structure has allowed that competitive framework

to work in a unique atmosphere that creates meaningful partnerships with the incumbent regulated utilities. Not only have we been able to partner with incumbent utilities for the sale of renewable energy under purchase power agreements, but Public Act 295 allows the utility to purchase an entire renewable project that was cost-effectively developed by a third-party. Such was the case in 2014 with our Pheasant Run II wind project, which DTE purchased from NextEra Energy and subsequently renamed the Brookfield Wind Park. This “turn-key” option is a classic example of a “win-win” scenario under the current law that benefits the low-cost competitive developer, the utility and the utility’s customers.

For all of these reasons, NextEra is concerned that the 50/50 split is repealed in SB 437. We certainly believe that PA 295's framework was one of the best renewable energy frameworks in the country and was fair to both competitive developers seeking to invest in the state, as well as Michigan's incumbent utilities. There is no doubt that the prior framework in PA 295 resulted in low priced, reliable and Michigan-based renewable energy projects

Recommendations for the Future

Wind energy has driven economic growth in Michigan and provided significant economic benefits, including additional jobs to the state, increased tax revenue, NextEra Energy Resources’ support of local community activities and purchases of local goods and services. Maintaining an open requirement for independent power producers to work cooperatively with the state's investor-owned utilities will continue to provide reliable, low cost Michigan-based renewable power, as well as continued community and local economic benefits.

Based upon our demonstrated record of success in providing reliable and low cost Michigan-based renewable power, I strongly recommend that Michigan continue its commitment to the many state benefits that independent power can bring to Michigan. As the 50/50 split is being repealed, however, we need some type of statutory signal that Michigan is still open for business and available to independent renewable energy investors. We stand ready to work with this Committee and Michigan's stakeholders to ensure that NextEra Energy can continue to invest in this great state.

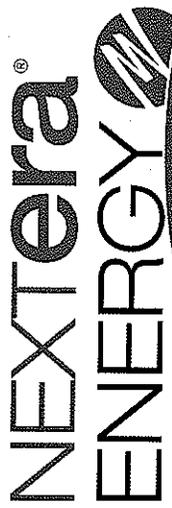
I would be pleased to answer any questions you may have.



**Michigan Senate
Energy & Technology Committee**

**Jason Utton
Director, Business Development
September 17, 2015**

NextEra Energy (NYSE: NEE) is a premier US power company comprised of two strong businesses




FPL[®]

- One of the largest U.S. electric utilities, with 4.7 MM customers
- Vertically integrated, retail rate-regulated
- 25,581 MW in operation

NEXTERA[®]
ENERGY

RESOURCES

- World's largest generator of renewable energy from the wind and sun
- Assets in 25 states and Canada
- 19,777 MW in operation⁽³⁾

- \$46 B market capitalization⁽¹⁾
- 45,358 MW in operation⁽²⁾
- \$75 B in total assets

One of Michigan's largest developers/producers of wind energy

\$765 million invested in four, large scale wind energy projects

Ready to invest an additional \$1.5 billion in wind energy projects

The right energy policies create the opportunity for future investment in the state

(1) As of June 1, 2015; Source: FactSet
 (2) Megawatts shown include Megawatts sold to NEP
 (3) Includes 11,350 MW of wind and 783 MW of solar generation



Michigan's renewable energy policy provides consumer benefits

Renewable Energy Policy

- **Current Market Framework Attracts Michigan Investment**
 - Michigan PSC reports low costs for wind energy
 - Wind energy costs have decreased significantly since 2008 due to third-party developers with expertise, such as NextEra Energy, and major improvements in wind technology
 - Creates collaboration and “partnerships” between Independent Power Producers (“IPPs”) and incumbent utilities – even providing utilities the option to acquire third-party developments that prove cost-effective for Michigan consumers
- **Future Renewable Energy Policy in Michigan**
 - Continue with strong laws supporting renewable development and growth
 - Provide statutory certainty that large, renewable IPPs can continue to invest in Michigan

NextEra Energy Resources has been a key investor in Michigan Renewable Energy

Michigan Energy Policy

- NextEra is a large Michigan investor that has developed significant wind energy capacity at competitive prices to the incumbent utilities
- Because of the 50/50 split in PA 295 (IOUs receive half of their RECs from IPPs) NextEra developed four wind energy projects with DTE, consisting of approximately 400 MW and representing a combined investment by NextEra in Michigan of over \$750 million
- All four NextEra's Michigan projects are at or below the cost of Company-owned projects
- NextEra's business model works for Michigan – initially setting a low price as a benchmark, and otherwise meeting or beating all time-commensurate wind energy developments on price.
- Lower IPP power prices directly translate to lower customer bills
- NextEra brings its own expertise and economies of scale to deliver low prices
- NextEra has established an excellent partnership with DTE and would like to remain a significant investor in Michigan

Michigan is an important market for NextEra Energy Resources

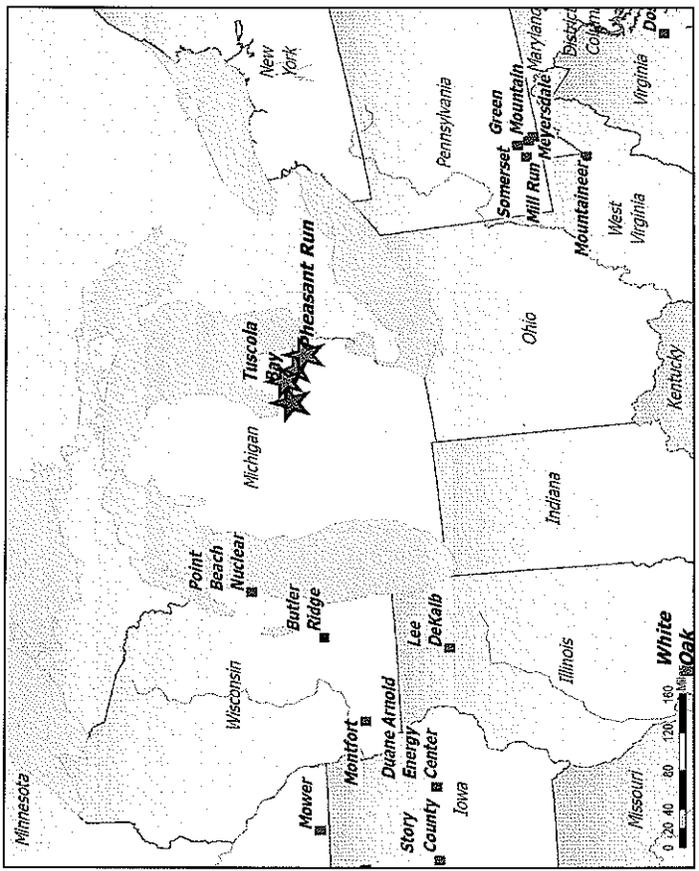
One of Michigan's Largest Developers of Wind Energy

- Tuscola Bay 120 MW (Nov. 2012)
- Tuscola Bay II 100 MW (Nov. 2013)
- Pheasant Run 74.6 MW (Dec. 2013)
- Pheasant Run II 74.8 MW (Feb. 2014)*

Total Michigan Investment: \$765 million

Property Taxes Paid Annually: \$4.3 million

Annual Landowner Payments: \$3.7 million

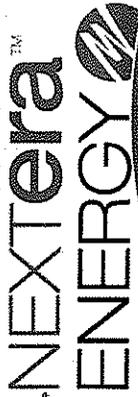


NextEra Energy Resources Existing Assets

NextEra Energy Resources is developing additional projects in Michigan that represent a potential \$1.5 billion



* Project sold to DTE and renamed Brookfield Wind Energy Park



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Director, Business Development
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