Senate Bill 437
And
New Generation Competitive Bidding

Presented to
Michigan Senate
Energy & Technology Committee
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MCV
MIDLAND COGENERATION VENTURE
Michigan's Choice for Energy

is:

- America's largest natural gas-fired electrical and steam energy generating plant
- Major supplier of reliable electrical energy to customers in Michigan and the midcontinent
- The only supplier of electricity and process steam energy to Dow Chemical Midland production plants
- Part of the clean-energy economy featured by the Pew Clean Energy Program

Pew Clean Energy Project: http://www.pewtrusts.org/en/projects/clean-energy-project

MCV
MIDLAND COGENERATION VENTURE
Michigan's Choice for Energy

has:

- Commercially operated for over 25 years
- Electrical capacity of 1633 MW, over 2 million horsepower electric
  - Enough to power over one million households
- Steam production capacity of 1.5 million pounds per hour
  - Enough to boil away an entire Olympic-size swimming pool every four hours

MCV
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provides:

- Direct employment for about 250 full-time positions and indirect employment for about 100
- Roughly $20 million annually to the economy through its business with vendors in Michigan, not including capital improvement projects
- Local property tax investments in excess of $10 million per year in support of local schools, police, firefighters and roads

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is:

- Owned by Borealis Infrastructure
  - Direct infrastructure investor with a $20 billion portfolio
  - Other Michigan investment includes the Detroit River Rail Tunnel
  - Prospective investor in other Michigan infrastructure projects

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unique history:

- MCV was created to leverage parts of the abandoned remnant infrastructure from the failed Consumers Power's Midland Nuclear Plant construction project
- In 1984 construction of the Midland Nuclear Plant stopped at roughly 85% completion and $4.1 billion dollars sunk costs, after cost overruns, schedule delays and construction problems

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unique history:

- In 1989 Consumers Power obtained approval from MPSC to buy power on behalf of Michigan residents under Power Purchase Agreement (PPA) from the new MCV power plant

- In 2008 the PPA is amended and approved by the MPSC providing an estimated annual savings of $40 million to Michigan residents

- Existing PPA expires in 2025 with option for Consumers Energy to renew for additional years

NEW ELECTRIC GENERATION FACILITIES IN MICHIGAN
AND
SENATE BILL 437

THE GOOD AND THE BAD

SB 437
THE GOOD

- SB 437 Integrated Resource Plan (IRP) provisions provide good "planning" mechanism for State
- SB 437 IRP provisions provide good "planning" mechanism for utilities

SB 437
THE BAD

- SB 437 lacks objective standards for MPSC to apply when reviewing utility IRP applications
- Current certificate of need process (Public Act 286 of 2008) requires utility to select PPA alternative over self-build option if most reasonable and prudent alternative
- SB 437 is similar to current law, yet contains NO objective "procurement" standards or competitive bidding process when comparing various generation resource options
- SB 437 also does not require utilities to fully utilize existing generation resources in State before it seeks approval to build new generation power plants

SB 437
AND RELIABILITY

- Independent Power Producers (IPP) like MCV provide cost-competitive energy and have exemplary reliability track records
- Misinterpretation of "Reliability" is no excuse to pay more for new utility-owned generation resources with no additional reliability benefit
- MISO serves all load using resources, thus everyone receives the same supply reliability

WHAT DOES "COMPETITIVE BIDDING" LOOK LIKE?

- Uniform requests for proposals applicable to utility and IPP for new generation
- Specific objective evaluation criteria applied to all proposals in determining preferred option
- Third-party responsibility to administer RFP process
- Reasonable means to assure that RFP process will be open and fair to all qualified applicants

SB 437 SUMMARY

- IRP good planning mechanism
- IRP is a poor procurement mechanism
- Passing SB 437, as it is currently written, does not provide a road to the lowest possible electric rates or increased reliability
- SB 437 needs to include fair and objective competitive bidding requirements to facilitate procurement of the lowest cost reliable new generation for Michigan residents