



Michigan Electric and Gas Association

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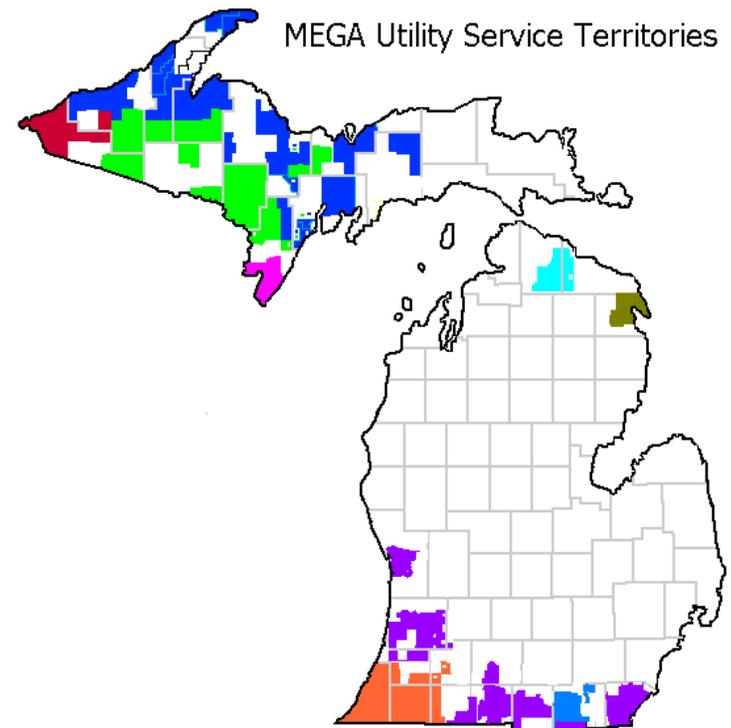
MEGA Board of Directors

		
 <i>A unit of American Electric Power</i>	 MICHIGAN GAS UTILITIES <i>A WPS Resources Company</i>	 Upper Peninsula Power Company
		



MEGA Utility Service Territories

-  Xcel Energy (E,G)
-  Upper Peninsula Power Company (E)
-  We Energies (E)
-  Wisconsin Public Service Corp (E,G)
-  Alpena Power Company (E)
-  Indiana Michigan Power Company (E)
-  Michigan Gas Utilities (G)
-  Aurora Gas Company (G)
-  Citizens Gas Fuel Company (G)



Service areas shown are approximate and do not separately identify natural gas and electric areas for combination utilities. “E” means electric service offered; “G” means gas service.



Major MEGA Industry Participants

 <p>ATC AMERICAN TRANSMISSION COMPANY</p>	 <p><i>Consumers Energy</i> Count on Us</p>	 <p>DTE Energy</p>
 <p>MECA</p>	 <p>SEMCOENERGY GAS COMPANY</p>	



MEGA Background – Member Characteristics

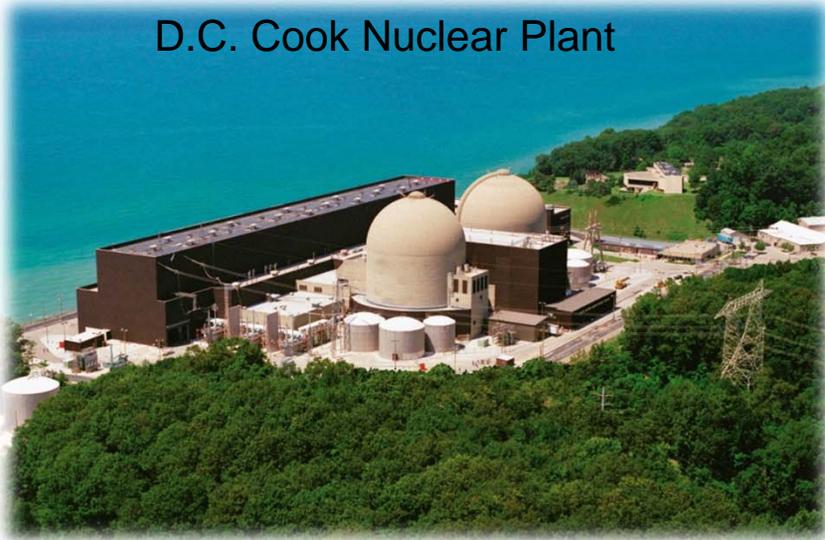
Company	# of Customers	Service/Major Facilities	Regulation
Alpena Power	17,650	Electric only	MPSC
Aurora Gas	2,568	Gas only	Home Rule
Citizens Gas	17,143	Gas only	Home Rule
Indiana Michigan (AEP)	127,936	Electric only – multistate MI/IN Cook Nuclear Plant	MPSC
Michigan Gas Utilities (Integrys)	164,927	Gas only	MPSC
Northern States Power (Xcel Energy)	9,443 E 5,289 G	Electric and Gas – multistate MI/WI	MPSC
Upper Peninsula Power (Integrys)	51,920	Electric only UP Hydro	MPSC
We Energies	27,560	Electric only – multistate MI/WI (gas in WI) Presque Isle Coal Plant UP Hydro	MPSC
Wisconsin Public Service Corp (Integrys)	8,982 E 5,326 G	Electric and Gas – multistate MI/WI UP Hydro	MPSC
Total	438,744		

Service Area/Company Background

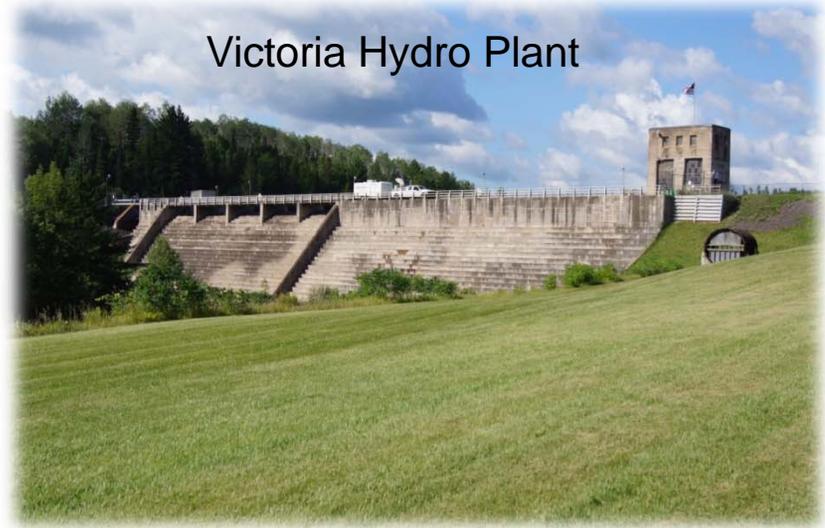
- ▶ Upper Peninsula:
 - 3% of Michigan population (317,258)
 - Population and utility sales have been relatively flat or declining in recent years
 - Electric service by 11 municipal, four investor-owned and three cooperative utilities
 - Electrically interconnected primarily with Wisconsin due to geography and industry development; transmission upgrades were essential to reliability improvements.
- ▶ Cliffs National Resources (We Energies' major load) recently announced closure of Empire Mine = reduced sales and loss of jobs
- ▶ NSP, WPS and We Energies are integrated, multi-state systems serving in WI and MI. UPPCo affiliated with Integrys Group (WPS, UPPCo, MGU)
- ▶ I&M part of AEP System and serves both IN and MI



D.C. Cook Nuclear Plant



Victoria Hydro Plant



MGU Gas Worker



We Energies Presque Isle Plant



Impact of Recent Regulatory Policy

- ▶ All MEGA utilities were required to implement 2000 PA 141 (electric choice) and 2008 PA 295
 - Alternative Electric Suppliers (AESs) did not pursue residential customers; very little retail choice activity of any kind for most of 2000s.
- ▶ MGU is the only MEGA gas utility participating in the voluntary gas retail choice program
- ▶ Subject to Energy Optimization (EO) and Renewable Energy requirements
- ▶ All MEGA members elected Efficiency United as the state administrator of the EO program
- ▶ All electric members of MISO except I&M a member of PJM



Regulatory and Policy Challenges

- Much of the service in economically challenged areas with low growth
- Relatively stable or decreasing populations to absorb additional or new costs
- Limited personnel to address major new initiatives
- Most IOUs are part of multistate systems which are planned on an integrated basis
- MEGA in-state generation is largely comprised of coal (We Energies – Presque Isle), nuclear (I&M – D.C. Cook), and hydroelectric
- U.P. plants initially built and located primarily for industry – aging resources



Impact of Regulatory Policy

▶ Retail Choice

- No residential customers and few C&I customers
- Resulted in limited cost/service impact and low implementation costs
- No asset securitization/plant stranded cost recovery to date

▶ Renewable Energy and Energy Optimization (EO)

- Utility non-MI service area footprint provision and lack of capacity mandate allowed flexibility and reduced costs.
- Treating hydro as a renewable resource was appropriate and cost-effective
- Third party administrator for EO program helped minimize costs through efficient administration and avoided duplicate administrative overheads.



Recent Company Events

- ▶ **I&M:** Agreement (February, 2013) with EPA on use of dry sorbent injection at Rockport (IN) coal units – reducing costs of emissions control.
- ▶ **I&M:** 1st MPSC certificate of need order (1–28–13) approving \$850.0 million life extension project at 2155MW Cook nuclear plant in Bridgman, MI.
- ▶ **We Energies:** Agreement (November, 2012) with Wolverine Power Cooperative on joint ownership and \$140 million investment to retrofit the Presque Isle coal plant here in Marquette.
- ▶ **UPPCo:** Boney Falls and Victoria Dam hydroelectric construction/repair projects in Fall 2012 and Spring 2013.



Recent Company Events (cont'd)

- ▶ **Xcel Energy:** Recently record wind generation of 1,713 MW wind (one-third of system needs)
- ▶ **Xcel Energy:** Recently issued a new RFP for up to 200MW wind to take advantage of PTC extension.
- ▶ **WPS:** Reduced electric rate request (WI) and achieved electric rate increases of less than 1% annually for 2008–2013 even with new coal and wind capacity added.
- ▶ **WPS:** Proposed and gained approval for use of Regenerative Activated Coke Technology (ReACT) for emissions control at Weston 3, a \$250 million investment.



Important Considerations

- ▶ Need to recognize integrated system planning by multistate utilities.
- ▶ We support cost effective EO programs which may be aided by the option for third party administrator.
- ▶ EO annual costs fixed by MCL 460.1091 at an inflexible 2% of sales revenue may be expensive as program savings opportunities diminish.
- ▶ “One size fits all” public policy measures may have disproportionate cost impacts.
- ▶ Expansion of retail choice could impact utilities’ ability to fulfill service obligation (duty to serve).

