



Energy Rates and the Future of Manufacturing in Michigan

March 4, 2013



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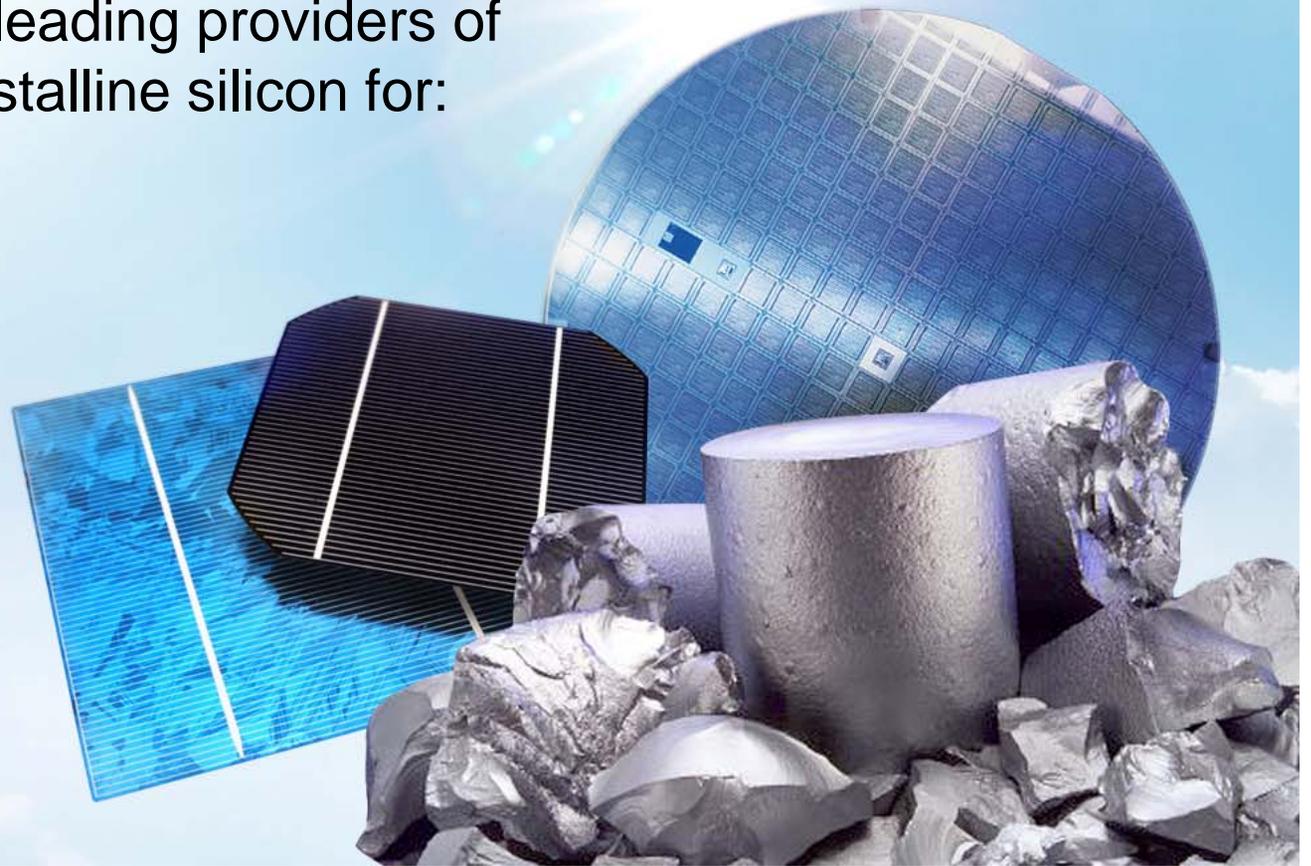
Hemlock Semiconductor Group Ownership



Hemlock Semiconductor Products

One of the world's leading providers of hyper-pure polycrystalline silicon for:

- Semiconductors
- Solar energy



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Investing in and exporting from Michigan

- In total, Hemlock Semiconductor has announced investments of up to \$4.5 billion since 2005 to increase polysilicon capacity to meet the needs of the solar industry. **Over \$2.5 billion have been invested in the Hemlock, Michigan facility since 2005.**
- Hemlock Semiconductor is positioned as one of, if not *the*, low-cost high-quality producers in the polysilicon industry globally. Barring market access disruptions caused by global trade conflicts confronting the solar industry today, over the long-term, we expect to continue to be able to strongly compete in both the semiconductor- and solar-grade polysilicon markets from our U.S. base of operations.

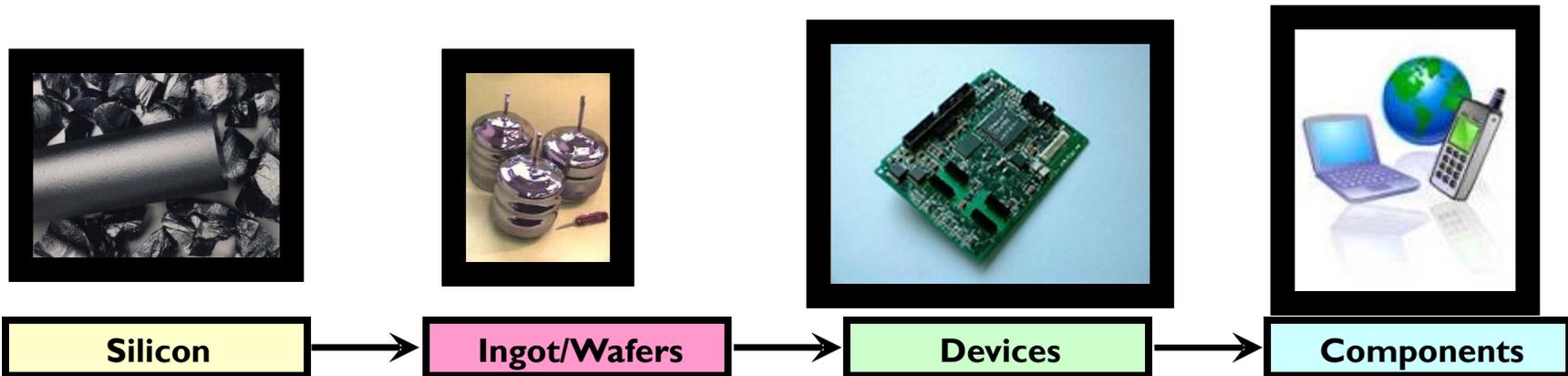


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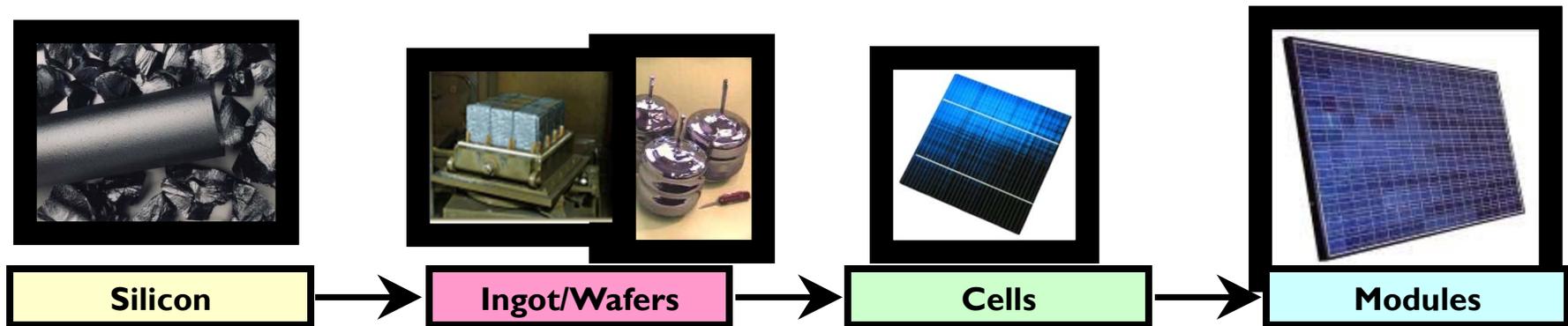
The logo for Dow Corning, consisting of the text "DOW CORNING" in a white, sans-serif font on a black rectangular background. Below this is a solid teal-colored horizontal bar.

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The Electronics Supply Chain



The Solar Energy Supply Chain



Energy Costs: Critical to Hemlock Semiconductor's Competitiveness

- Polysilicon production is very energy intensive.
- At full production Hemlock Semiconductor uses 420 MWs of power, making it the **largest single site user of electricity in Michigan** and Consumers Energy's largest customer.
- **Electricity costs are the largest and most significant factor impacting Hemlock Semiconductor's overall operating costs.**
 - More than labor ...
 - More than raw materials ...



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Energy Intensive and Trade Exposed

- As a global supplier to the electronics and solar industries, Hemlock Semiconductor must remain globally competitive.
- The ability of global leaders in energy intensive industries to compete is determined in large part by local energy costs.
- Competitive energy rates are foundational to Hemlock Semiconductor maintaining its position as an advanced manufacturer exporting globally from its Michigan base of operations.



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Two Pro-Manufacturing Objectives for Sound Energy Policy

1. Effective regulatory oversight that emulates market competition to ensure prudent business decisions and drive continuous improvement in efficiency, productivity and cost-controls measures on the part of the utilities.
2. Increased market competition (i.e. Electricity Choice) in which utilities and electricity generation suppliers must compete for customers.

But the reality is...

Michigan has both capped market competition to 10% of a utility's customer base and failed to provide the level of regulatory oversight necessary to ensure we have competitively priced electricity rates for manufacturing.



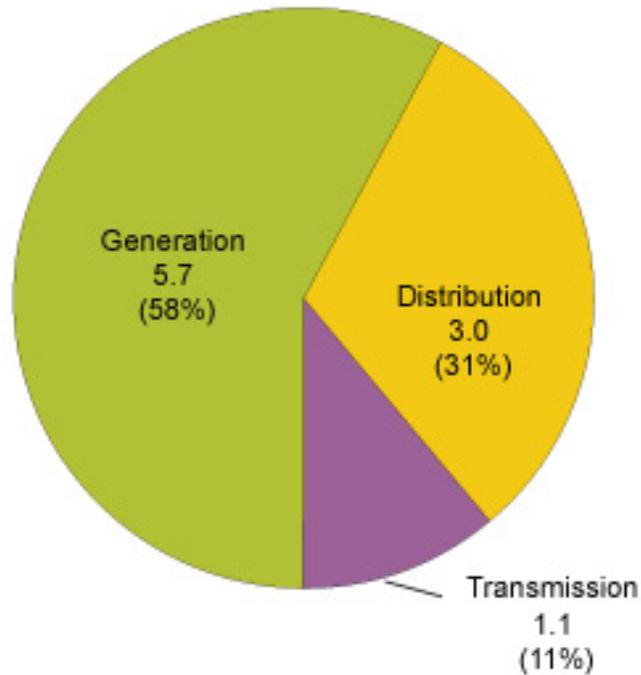
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Michigan's Electricity Rates – Cap on Electric Choice

Major Components of U.S.
Average Electricity Price, 2011



The cap on electricity choice has limited customers ability to seek lower cost energy/generation supply which is 58% of their total delivered electricity cost.

Source: U.S. Energy Information Administration, *Annual Energy Outlook 2012*, Reference Case, Table 8: Electrical Supply, Disposition, Prices, and Emissions.

Post-2008: A “Favorable” Regulatory Environment for Utilities

“In 2008, the state legislature approved a 12-month deadline for rate cases, a six-month self-implementation of rate increases, and a forward-looking test year...[W]e expect that the regulatory environment will remain favorable for the long term because the reforms are institutional and are intended to be permanent. The subsequent 19 rate case orders, which we view overall as credit-supportive, have only reinforced this expectation.”

Standard & Poor's RatingsDirect on the Global Credit Portal: “Consumers Energy,” November 29, 2012



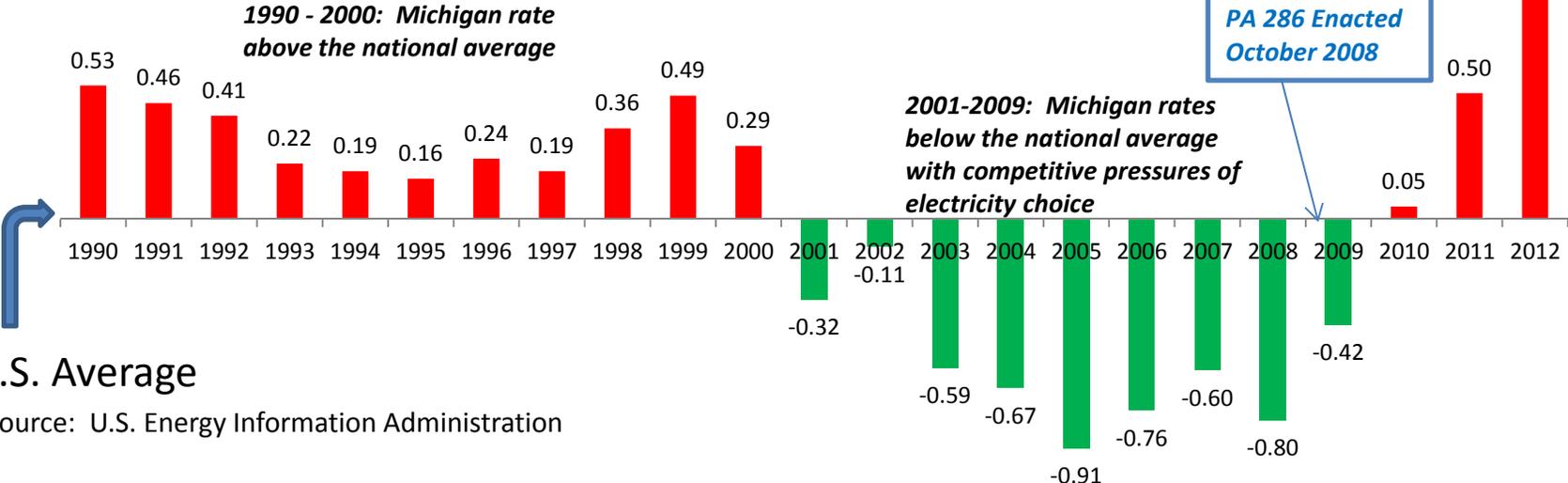
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Michigan vs. U.S. National Average

¢/kWh

2010 - 2012: Michigan rates again above the national average with 10% cap limiting electricity choice



U.S. Average

Source: U.S. Energy Information Administration

Since 2009, the “favorable” Michigan regulatory environment for utilities has resulted in much higher electricity rates for customers.