



LS Power Group

Renaissance Power

February 14, 2013

LS Power Introduction

Over 25,000 MW of development, construction, and operations experience with \$17+ billion of financing activities

- Founded in 1990, LS Power is a power generation and transmission group with a proven track record of successful development activities, operations management and commercial execution
 - Headquartered in New York with approximately 200 employees and offices in CA, NJ and MO
- LS Power has raised over \$17 billion to finance and support investments in energy infrastructure since 2005
 - Actively developing both power generation and transmission infrastructure to serve the need for new generation and improve the aging transmission system
- LS Power's core operating philosophy is based on proactive management to drive safe, reliable operations

LS Power

Generation Development (LS Power Development)

- Over 7,000 megawatts (MW) of power development experience
- Active ongoing development of renewable and fossil generation resources

Transmission Development (LS Power Development)

- Financed and building a 500+ mile, 500kV line in Nevada to support renewable resources
- Designated to build 200+ mile, double circuit 345kV line in Texas to support renewable resources
- Active transmission development pipeline throughout United States

Acquisition (LS Power Equity Advisors)

- Over \$4 billion in private equity capital dedicated to the power sector through two funds
- Acquired over 18,000 MW of power generation

Functional Expertise

O&M / Asset
Management

Project
Development

Licensing &
Environmental

Regulatory &
Transmission

Power
Marketing

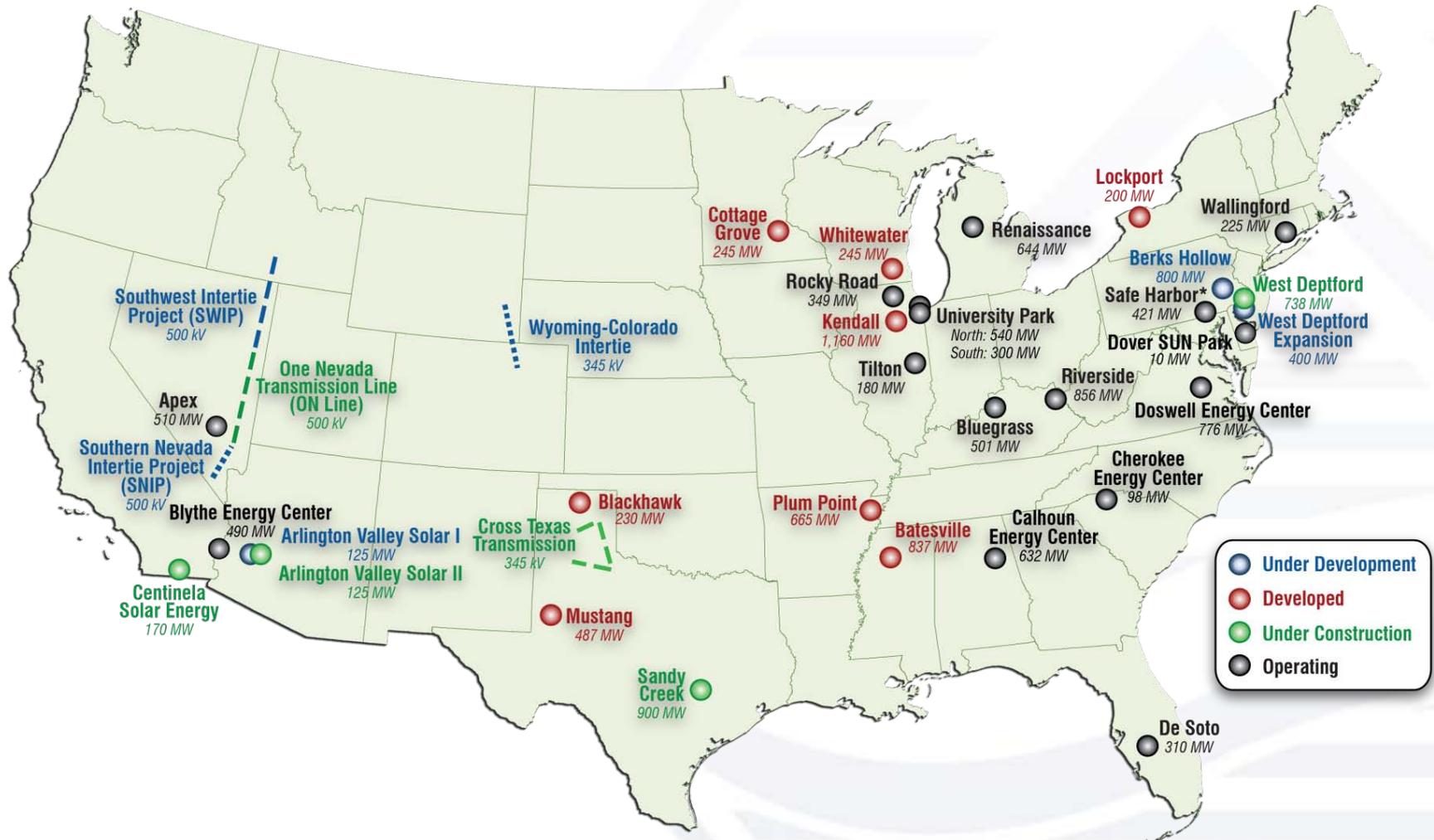
Project
Finance

Tax /
Accounting

M&A

Operating & Development Projects

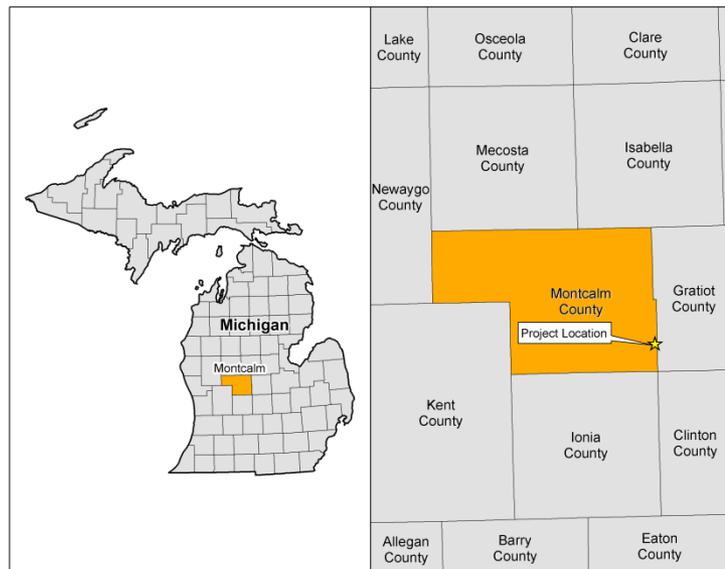
Extensive development and operating experience across multiple regions, markets and technologies



- Under Development
- Developed
- Under Construction
- Operating

Renaissance Facility Overview

Plant location



Fact sheet

| COD | 2002 - 2003 |
|---------------------------------|--|
| Net capacity (winter / summer) | 788 / 644 MW ⁽¹⁾ |
| Location | Carson City, MI |
| Site | ~30 acres |
| Net heat rate (winter / summer) | 10,300 / 10,770 Btu/kWh ⁽¹⁾ |
| Equipment | (4) Siemens 501 FD2 CT |
| Fuel Type | Natural Gas |
| Gas storage & interconnect | MichCon |
| Water supply | Carson City |
| Employees | 8 Full time |

Modern, gas-fired resource serving the Michigan market

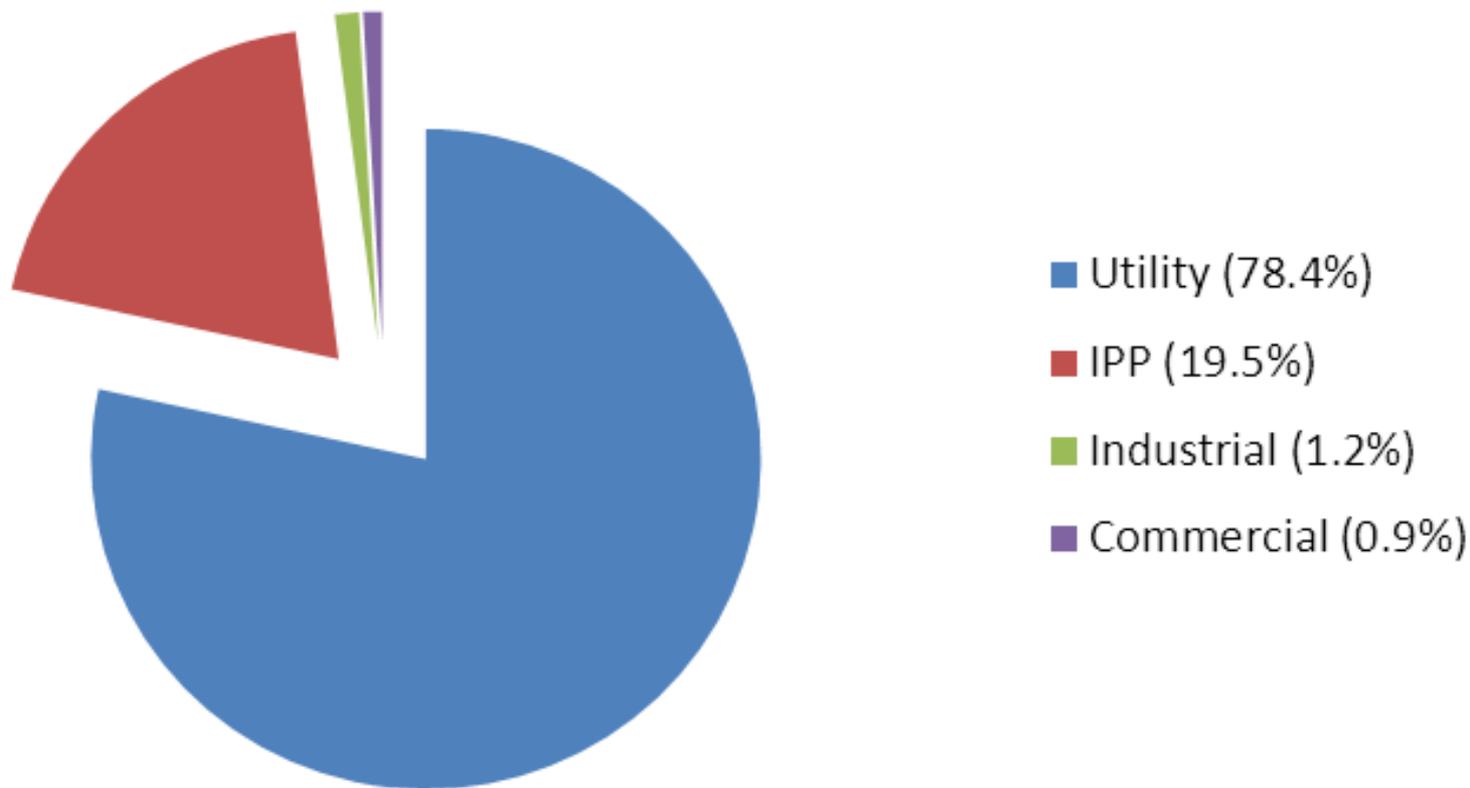
- Interconnected in the MISO system and located in Consumers service territory
- Plant offers its energy into the MISO day ahead market and has no off-take arrangements in place
- Over \$15 million in major maintenance expenditures in 2011 through 2013

(1) Approximate full-load Winter and Summer figures based on typical ambient conditions of 10° F / 65% RH and 90° F / 65% RH, respectively.

Gas-Fired Non-Utility Gener

| <u>PLANT</u> | <u>MEGAWATTS (MW)</u> | <u>OWNER</u> |
|----------------|-----------------------|---------------------|
| Covert | 1,100 MW | Tenaska |
| Jackson | 560 MW | Kinder Morgan Power |
| MCV | 1,400 MW | Borealis |
| Michigan Power | 150 MW | DPS Michigan Power |
| Renaissance | 644 MW | LS Power Group |

Net Generation



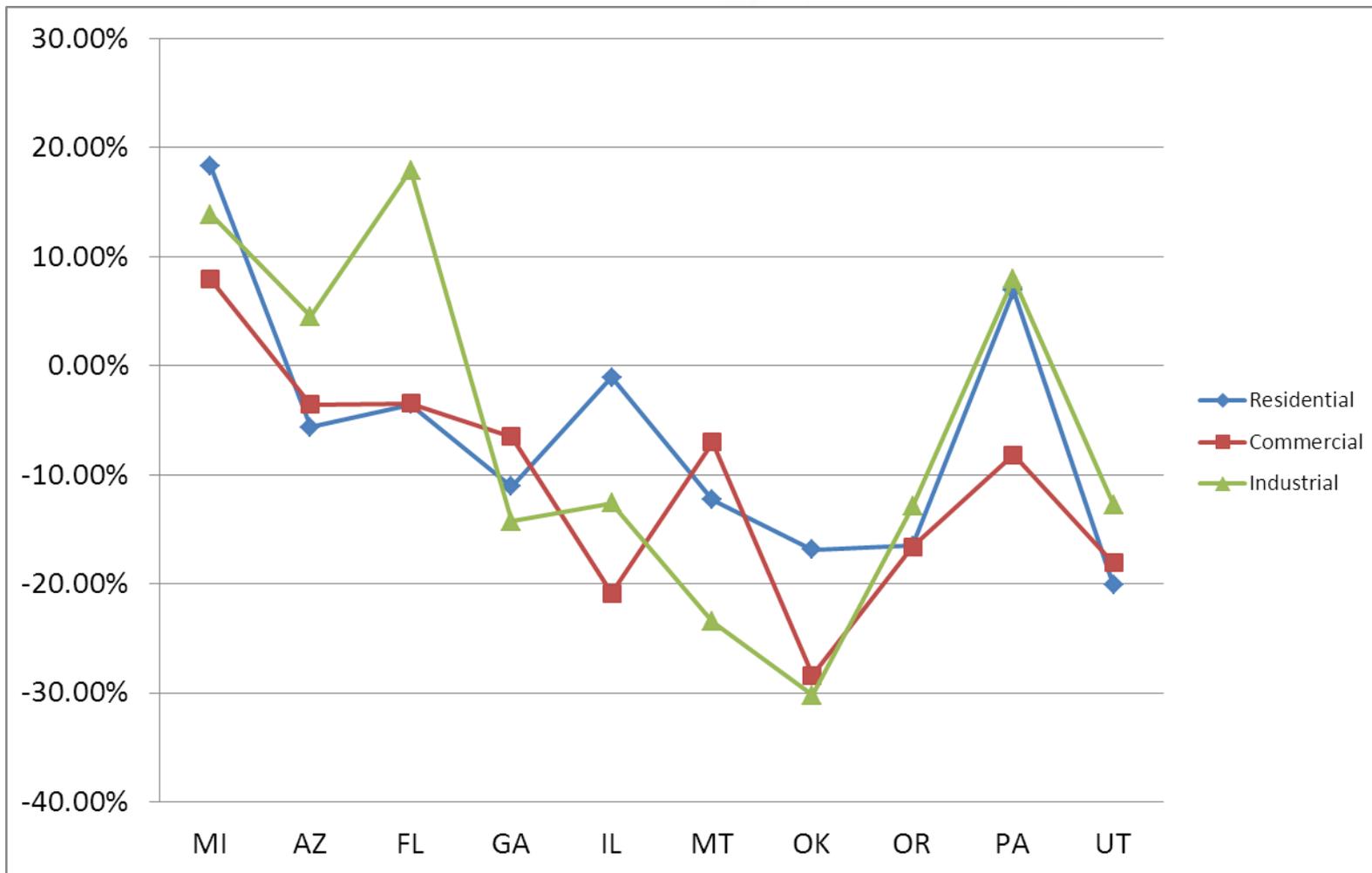
Source: U.S. Energy Information Administration. Data from November 2012 released January 23, 2013

State Requirements for Wholesale Power Solicitations

| | Arizona | Florida | Georgia | Illinois | Montana | Oklahoma | Oregon | Pennsylvania | Utah |
|---|---------|---------|---------|----------|---------|----------|--------|--------------|------|
| Competitive Procurement Acquisition/ Construction | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Independent Evaluator | ✓ | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Competitive/ RFP Process | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Commission-Mandated Criteria for Selection | | ✓ | ✓ | | | ✓ | ✓ | | ✓ |

Is Michigan Competitive?

Price Difference from U.S. Average, Most Recent Monthly



Source: U.S. Energy Information Administration. Data from November 2012 released January 23, 2013.

The Oregon Example

Focus on Wholesale Competition

- PUC Order No. 91-1383 – October 18, 1991
 - Adopted Policies and guidelines regarding competitive bidding for investor-owned electric companies in Oregon
- PUC Order No. 06-446 – August 10, 2006
 - Adopts 13-point competitive bidding guidelines addressing
 - Affiliate bidding
 - Utility ownership
 - Independent evaluator
 - RFP design and approval
- PUC Order No. 11-001 – January 3, 2011
 - Docket opened to address bias inherent in utility resource procurement process that favors utility ownership of generation assets over PPAs

Oregon PUC Investigation of Utility Bias

Docket No. UM 1276

I/M/O The Oregon Public Utility Commission of Oregon, an investigation regarding performance-based ratemaking mechanisms to address build-versus-buy bias.

- Docket opened to address the bias that exists in the utility resource procurement process that favors utility-owned resources over PPAs.
- Oregon PUC states:
 - “A bias exists in the utility resource procurement process that favors utility-owned resources over PPAs.”
 - “Under cost of service regulation, a utility's ‘profit’ is the opportunity to earn a return on the rate base and by purchasing a PPA in lieu of building a power plant, it is foregoing the potential to earn some amount of profit.”
- Determined that further improvements were needed to fully address self-build bias and reopened Docket No. UM 1182 to further examine issues related to competitive bidding guidelines.

Conclusions & Takeaways

- The RFP process is a means to promote and improve the resource actions identified in the utility's IRP and an opportunity to minimize long-term energy costs.
- A Rigorous IRP is the best way for a utility to mitigate its resource cost recovery risk.
- Commission acknowledgement of the IRP and the RFP short-list is the best way for a utility to document prudent decision making.
- IRP with competitive bidding is the best way to obtain the resource portfolio with the best combination of expected cost and associated risks for the utility and its customers.

* Information contained in Renewables & Integrated Resource Planning Update, Maury Galbraith, Administrator, Energy Division, Oregon Public Utility Commission, Oregon Geothermal Working Group & Geothermal Resources Council, August 2, 2012

Wholesale Competition

Michigan Public Act 286 of 2008

Electric utility rate recovery:

An electric utility that proposes to **construct an electric generation facility**, make a significant investment in an existing electric generation facility, **purchase an existing electric generation facility**, or **enter into a power purchase agreement** for the purchase of electric capacity for a period of 6 years or longer may submit an application to the commission seeking a **certificate of necessity** for that construction, investment, or purchase if that construction, investment, or purchase costs \$500,000,000 or more and a portion of the costs would be allocable to retail customers in this state.

(Continued)

Wholesale Competition

Michigan Public Act 286 of 2008

The PSC shall grant certificate of necessity when it determines, in part:

- The estimated cost of power from the existing or proposed electric generation facility or the price of power specified in the proposed power purchase agreement is reasonable.
- The commission shall find that the cost is reasonable if:
 - in the **construction or investment in a new or existing facility**, to the extent it is commercially practicable, the estimated costs are the **result of competitively bid engineering, procurement, and construction contracts**, or
 - in a **power purchase agreement**, the cost is the result of a **competitive solicitation**.

Michigan Public Act 286 of 2008 has no competitive solicitation requirement regarding the decision to acquire or construct new generation resources.