



Public Forum
Kalamazoo, March 18, 2013

“From the Eyes of a Michigan Manufacturer”

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'Ground Rules' of the Public Forum:

- Commenters are asked to refrain from advocating or recommending a particular policy.
- What information do energy policy makers need to consider in order to make good energy decisions?
- What existing data or studies are available for Michigan policymakers to consider when evaluating Michigan's energy policy after 2015?
- If there are other questions that should be considered, those are welcome as well.



Issues

- Out-of-State electricity is only available through Michigan's utilities. They are buying out-of-state wholesale in addition to their generation.
- Direct purchases from out-of-state Alternate Energy Suppliers are almost 100% constrained. The user has no access.
- 10% Cap means 90% is regulated. But this relates to energy volume and not number of electricity users. Therefore, *more than 90%* of Michigan's businesses are being kept out.
- Michigan's utilities do not compete with one another. Electricity users cannot buy from any Michigan utility. This is blocked through set territories.

Manufacturing companies typically ...

- generate **JOB**s *and* the most **PROPERTY TAXES**
- but have the highest **ELECTRICITY COST** burden

El. User Type	Jobs	Assets	Property Tax	Electricity Usage
Residential	No	Building	Low	Low
Municipal	Yes	Infrastructure, Buildings	N/A	Medium
Schools, etc.	Yes	Buildings, Office Furniture	N/A	Medium
Commercial	Yes	Building, Inventory	Yes	Low to Medium
Manufacturing	Yes	Buildings, Office Furn., Inventory, Equipment	High	High

High electricity cost affects manufacturers' ability to invest. This impacts property tax generation.



Types of Electricity Users

- Residential
- Municipal
- Schools, etc.
- Commercial
- **Industrial**

- ❖ Plant(s) only in Michigan,
- ❖ Plant(s) in MI and other states,
- ❖ *or* located out-of-state only...
 - and attracted to MI, *or*
 - not interested in MI

Where will the next investment go?

J. RETTENMAIER USA LP

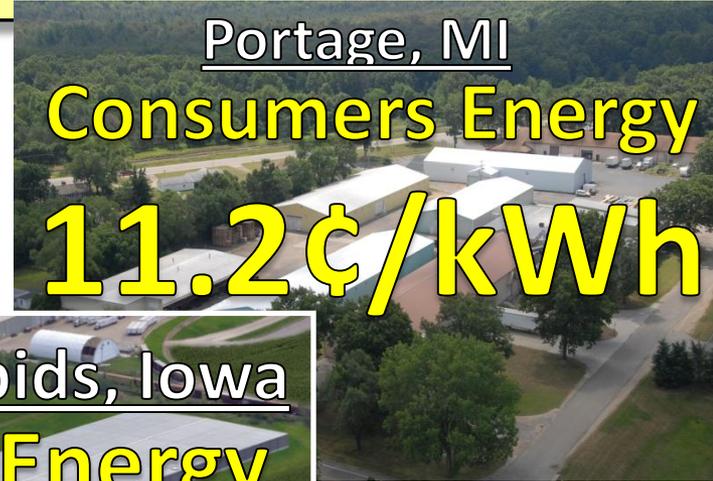


- German investor
- Manufacturer of natural fibers and functional fillers
- Started in Schoolcraft, MI in 1997 → approx. 130 jobs in MI
- Added Iowa plant in 2003 → approx. 15 jobs in IA

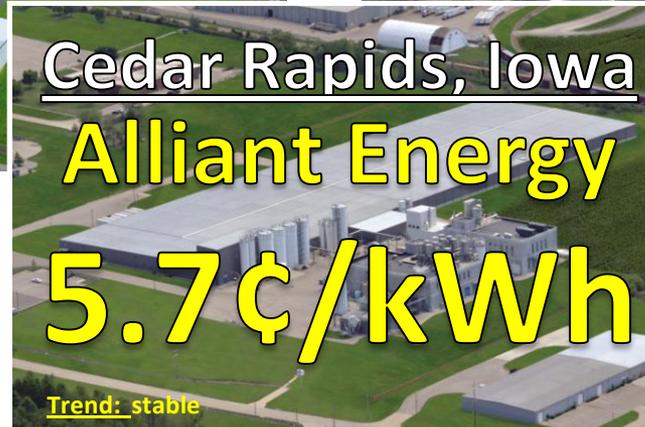
2012 Electricity Cost



Schoolcraft, MI
AEP-IMP
7.1¢/kWh
Trend: Up (¢8.2/kWh YTD)



Portage, MI
Consumers Energy
11.2¢/kWh



Cedar Rapids, Iowa
Alliant Energy
5.7¢/kWh
Trend: stable

At Iowa-cost, \$1 million would have been saved!

Where will the next investment go?



Competitors' Electricity Cost (estimates)

Source: U.S. Energy Information Administration (2011 data)

OH:	5.4 ¢/kWh	IL:	6.7 ¢/kWh
MN:	6.0 ¢/kWh	KS:	7.6 ¢/kWh
WV:	6.2 ¢/kWh	TX:	7.8 ¢/kWh
NY:	15.5 ¢/kWh ? (Questionable; see note below)		

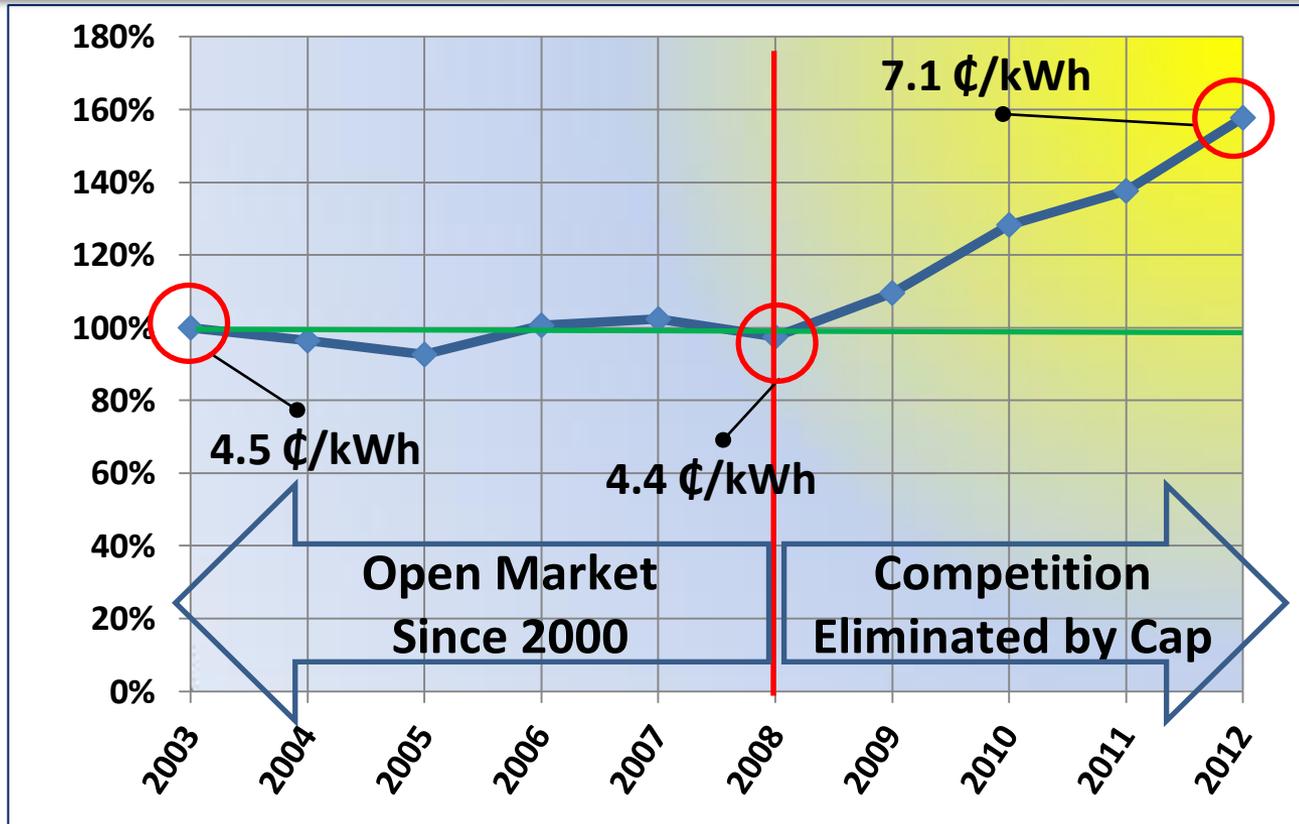
Portage: 11.2 ¢/kWh
Schoolcraft: 7.1 ¢/kWh
Total JRS MI: 8.1 ¢/kWh

“Niagara County Center for Economic Development - Niagara County’s Empower Niagara program and the New York Power Authority’s low-cost power programs

*provide some of the **cheapest electricity in the nation**. Between these programs, **companies of all sizes have an opportunity to access low-cost electricity.**”* (Source: <http://www.niagaracountybusiness.com/LocAd6.asp>)

We have a significant competitive disadvantage in Michigan!

Electricity Cost Development Schoolcraft Plant * AEP-Indiana Michigan Power



60% cost increase over the last 4 years is affecting competitiveness of Michigan's manufacturers!



Electricity Cost Development Portage Plant * Consumers Energy

- ❖ Cost increases from year to year appear more reasonable
- ❖ 10.7 ¢/kWh in 2010 versus 11.2 ¢/kWh in 2012 = + 4.3%
- ❖ **But this price level is extremely high and uncompetitive**
- ❖ Contacted several Alternate Electricity Suppliers
- ❖ Signed contract that put us in the 'Queue' of 10,500+ companies
- ❖ **Without the Cap constraints, savings would have been 35% in 2012!**

The extreme electricity cost is putting a Michigan manufacturer and its jobs at risk!

Once consumption has been optimized, electricity cost depends solely on the Tariff.

Consumption (kWh)	x	E-Rate (\$/kWh)	=	Cost
✓ Engineer process for efficiency		No change		
✓ Use energy efficient electrical equipment		No change		
✓ Run 24 hr. operations (off-peak utilization)		No change		
✓ Manage motor starts (control peak demand)		No change		
✓ Install capacitors (Power Factor optimization)		No change		
✓ Conduct energy audit		No change		

Manufacturers can influence electricity cost only by modifying consumption (*how, when, how much*).



The Electricity Purchasing Process

- Manufacturers hook up, consume electricity and account for the cost.
 - Purchasing is not involved.
 - Negotiations do not take place.
 - Tariffs dictate the purchase price.
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- Mi-PSC has interaction with utilities.
 - Michigan PSC is our *'Purchasing Agent'*.
 - But we have never talked!?!



Lifting the Cap – An Economic Driver!

Impact of Lifting the Cap	for J. Rettenmaier	for Michigan
Electricity savings will turn into investments	Portage facility savings immediately \$400,000/yr	10,500+ companies are waiting in the queue
Business migration will be reduced	Schoolcraft plant already had to move business to IA	Prerequisite for economic well-being and growth
New businesses will be attracted to Michigan	Will be considered as opportunities develop	What an opportunity!
Michigan's tax base will grow	We will pay our share	Positive tax revenue and budget impact
Jobs will be maintained and added	135 jobs today are affected and growth will accelerate	10,500+ queued companies times X jobs! Plus new jobs!
More electricity will be needed and purchased	No concern if priced competitively	Utilities will sell more electricity
Etc.		

Conclusion

- Can Michigan increase the electricity price in other states?
- If not, our State needs to face the reality of competition.
- An answer might be allowing competition that the electricity market can regulate itself by supply and demand.

This presentation's goal is to support the Governor's decision making process. Our company is not alone. More than 10,500 companies are also waiting desperately.

If these companies, on average, would have only half of the staff we have, they would represent more than 700,000 Michigan jobs! And without any doubt, they are representing a large portion of our State's economy and its future. They deserve affordable electricity.

