

**MIRS Capitol Capsule**  
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**Power Plant Company Defends P.A. 141**

A chief official for a St. Louis-based company planning to build a coal-fired power plant in Midland is urging the Legislature to not make drastic changes to the state's electric choice law, P.A. 141, as it debates how to put renewable portfolio standards and energy efficiency standards into law.

LS Power is in the process of putting \$1.3 billion into a new plant and they have a keen interest in what happens in the Legislature, where the momentum, in the House, at least, is to put the state's biggest incumbent utilities — Consumers Energy and DTE — in a better position to build much-needed power plants

Lynne **MACKKEY** is the director of Regulatory Policy for LS Power, which is one of the members of the coalition opposing **HB 5524**, legislation that gives electric customers a small window to make a long-term commitment to an electricity provider.

Opponents believe the legislation would further erode the state's electric choice law and give even more market share to the state's two major incumbent utilities — Consumers Energy and Detroit Edison.

The following are excerpts from an interview *MIRS* conducted with Mackey last week.

**Q. Your basic position is that the electric choice law (P.A. 141) that the state adopted in 2000 was a positive step that should not be repealed?**

A. That's correct. We support the effort to maintain P.A. 141 as it exists today. But LS Power's position on all this is somewhat different. The reason we support maintaining P.A. 141 is because, as an independent company that builds power plants all over the country, it's in our interest to have as many potential buyers as possible. So it's almost on a principle basis, in some ways, that we strongly support protecting P.A. 141.

LS Power's primary business is to develop, build, own and operate power plants. So we're not really on the retail side of this business. So what we're saying is not just that P.A. 141 is a good thing and repealing it won't help — we're saying that you have to go the next step. The next step is actually going to help the state and help P.A. 141 stay viable and help customers save money and so on.

**Q. And, meanwhile, the utilities are saying they need to return to their former monopoly status in order to have a guaranteed customer base, which in turn would give them the confidence and backing they need to able to build a new power plant?**

A. Yes.

**Q Yet, as a builder of power plants you're saying that's not the case?**

A. What we're saying is that there is a market for selling electricity in this state. There are willing customers in this state. Power plants can and are being financed all over the country right now without having the protection — or what I would call the 'lock' on providing that service.

We are developing, owning and operating all over the country. And the power plant in Midland is a \$2 billion-ish investment. So we are already spending our own money to work on those projects, to secure the site, to do the engineering and evaluation, to make sure we don't infringe on any wetlands.

The utilities don't want to do that. They don't want to use shareholders' money for those types of activities. So their message that these can't be built unless P.A. 141 is repealed is a canard.

**Q. Do you suspect that if P.A. 141 remains intact, the utilities will just end up building plants anyway?**

A. If P.A. 141 reform legislation is never passed and nothing happens - then yes, I think they'll end up building plants anyway. It will be a painful process. It will end up costing ratepayers more than it needs to. They're going to drag it out. They're going to have to learn the business of building power plants again. They haven't done it in 20 years. We've been doing it for the last 20 years. The world has changed dramatically since the last time they did this type of activity.

**Q. Talk about the legislation you support (SB 0427 and HB 4630).**

A. The Public Service Commission would be empowered to perform evaluations to decide how much new capacity is needed in the state. With that, all of the stakeholders, like DTE and Consumers Energy, and the ratepayers — like AARP and ABATE — would sit down together. Part of the debate is about openness. It wouldn't just be someone in a cigar smoke-filled room deciding what power plants would be built and where.

This is too important, and there's going to be too much money spent in the state no matter what, over the next 20 years. This is something that should be done in an open and transparent manner. We already know pretty much that there will be a need. Everyone has analyzed this in their own ways and nobody can figure out how there won't be a need by about 2015.

**Q. But is that just an assumption? Now that we're seeing an actual loss of population in Michigan, should it be looked at again?**

A. You know, you're right. As a company we're not afraid of that at all. It should be evaluated because you don't want something built that doesn't get used for years. Both those years and those dates - that is so fungible. The variables are so great that, definitely, you can find examples all over the county where they waited too long and they paid hundreds of millions more dollars in hourly purchases from the grid, or they had to buy whatever capacity was available. In this day and age, the only thing sitting out there not being used is natural gas.

**Q. What is the scenario if the legislation you support passes?**

A. Well, let's assume that we're going to have a need of 500 megawatts. The commission conducts a competitive bidding process where everybody and their brother who has the ability and inclination to build plants in the state make their proposals. Those proposals would be evaluated by independent industry experts and the best and least costly options are chosen.

So what you've done then is you've minimized exposure when the word 'assumption' gets used. Again, if you go back to the blank check scenario, where the utilities do whatever they want, that's a much bigger risk.

**Q. Let's look at what's happening in Michigan politics right now. One might suggest a scenario where what the utilities want could pass the House and go nowhere in the Senate, while what you want could well pass in the Senate and be stopped in the House?**

A. We're still optimistic. For example, the bills on portfolio standards and energy efficiency - what we're reminding people is that these bills we've proposed on competitive bidding could be put onto everyone of these initiatives. And why doing that, you would be de facto forcing costs to go down.

So, with the same amount of dollars you could buy more renewable power, because you've got a bid process that brings in the best ideas.

**Q. How do you stand with the renewable energy community?**

A. Renewable developers are on record saying that competitive markets have helped. When you look at these - often they're little guys and sometimes they're under-funded, so sometimes they may think - "I'll go make a deal with the devil" and they end up getting the crumbs that they'll be given by the utilities.

Look at it this way. Without a competitive bidding process whatever RPS (Required Portfolio Standards) is put in place will be a de facto cap instead of a floor.

So, you can say (renewable energy) is definitely the wave of the future, but the only way to do it properly is with competitive bidding. We in the coalition just don't see all of these other options as threats for competition. If you think about it - that's exactly opposite of how the utilities look at it.

In the Northeast they had an auction. They said everybody with demand-side potential send us your proposals for how much you would be happy to take to reduce your load. They had so many thousands of megawatts — they were like "we can't even handle all of this. We don't know what to do with it all."

So instead of saying, "You, Mr. Utility, need to figure out a way to save your customers 15 percent on their energy bill," why doesn't somebody just say, "Who wants to donate megawatts to this cause?"