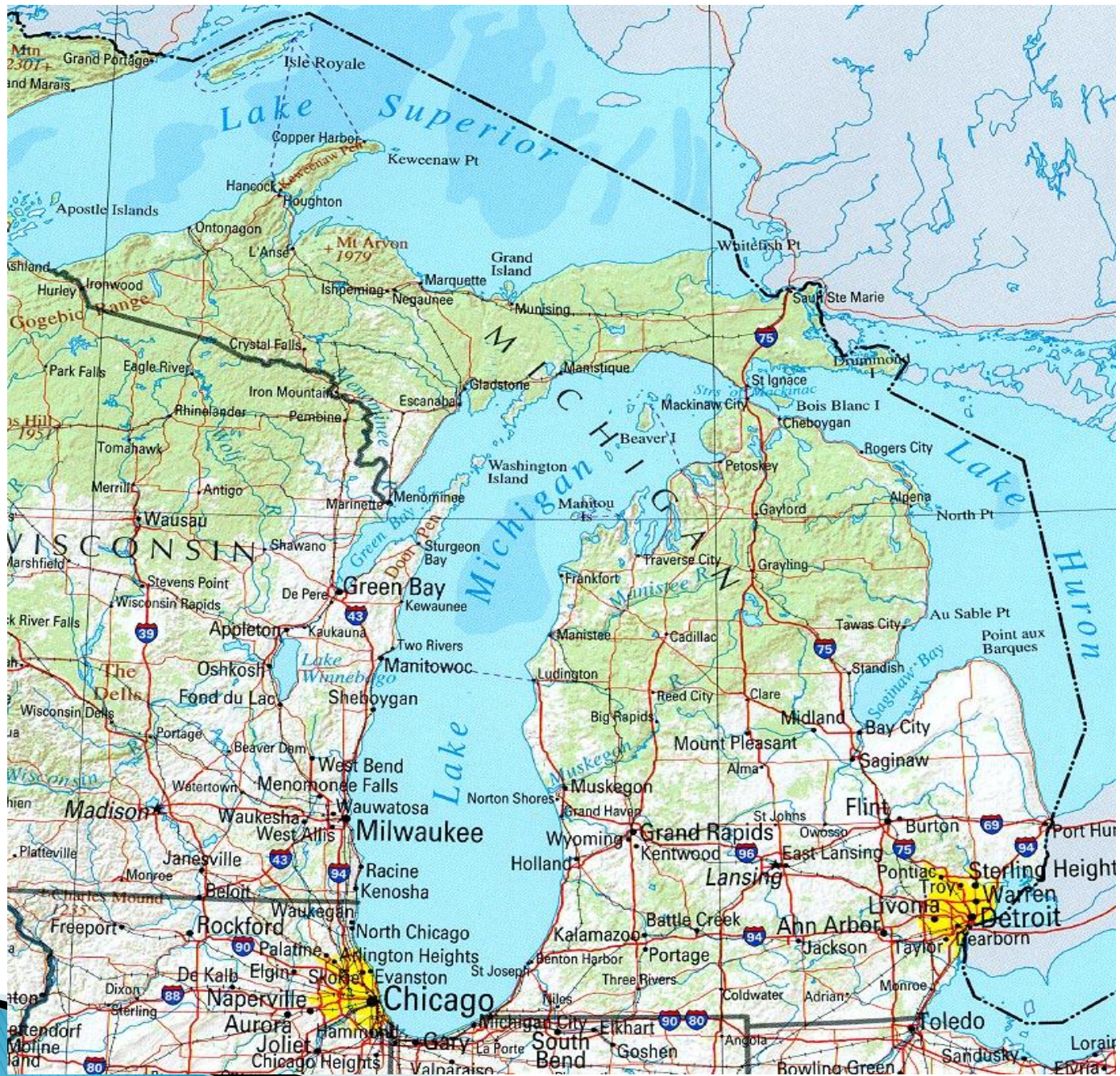




**UP Energy Summit
October 6, 2010**

James A. Ault
President
Michigan Electric & Gas Association



US Energy Independence #1

For decades we have known the days of cheap and easily accessible oil are numbered...now is the moment for this generation to embark on a national mission to unleash America's innovation and seize control of our own destiny. Barack Obama 6-15-10

This country can dramatically improve our environment, move beyond a petroleum based economy, and make our dependence on Middle Eastern oil a thing of the past. George W. Bush 1-31-06

We need a long-term energy strategy to maximize conservation and maximize the development of alternative sources of energy. William J. Clinton 6-28-00

U.S. Energy Independence #2

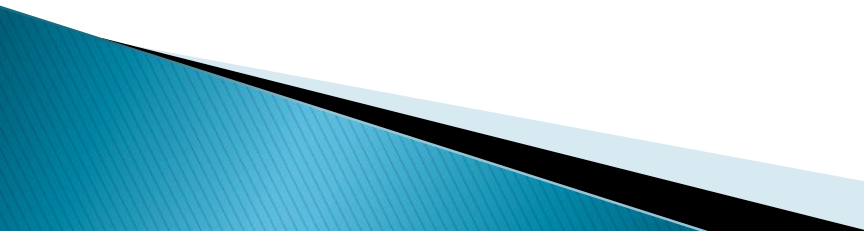
There is no security for the United States in further dependence on foreign oil. George H.W. Bush 8-18-88

We will continue supportive research leading to development of new technologies and more independence from foreign oil. Ronald Reagan 2-16-81

...this intolerable dependence on foreign oil... Jimmy Carter 7-15-79

...new standby emergency programs to achieve the independence we want... Gerald Ford 1-15-75

We will break the back of the energy crisis. We will lay the foundation for our future capacity to meet America's energy needs from America's own resources. Richard M. Nixon 1-30-74



MICHIGAN ENERGY POLICY – REGULATORY

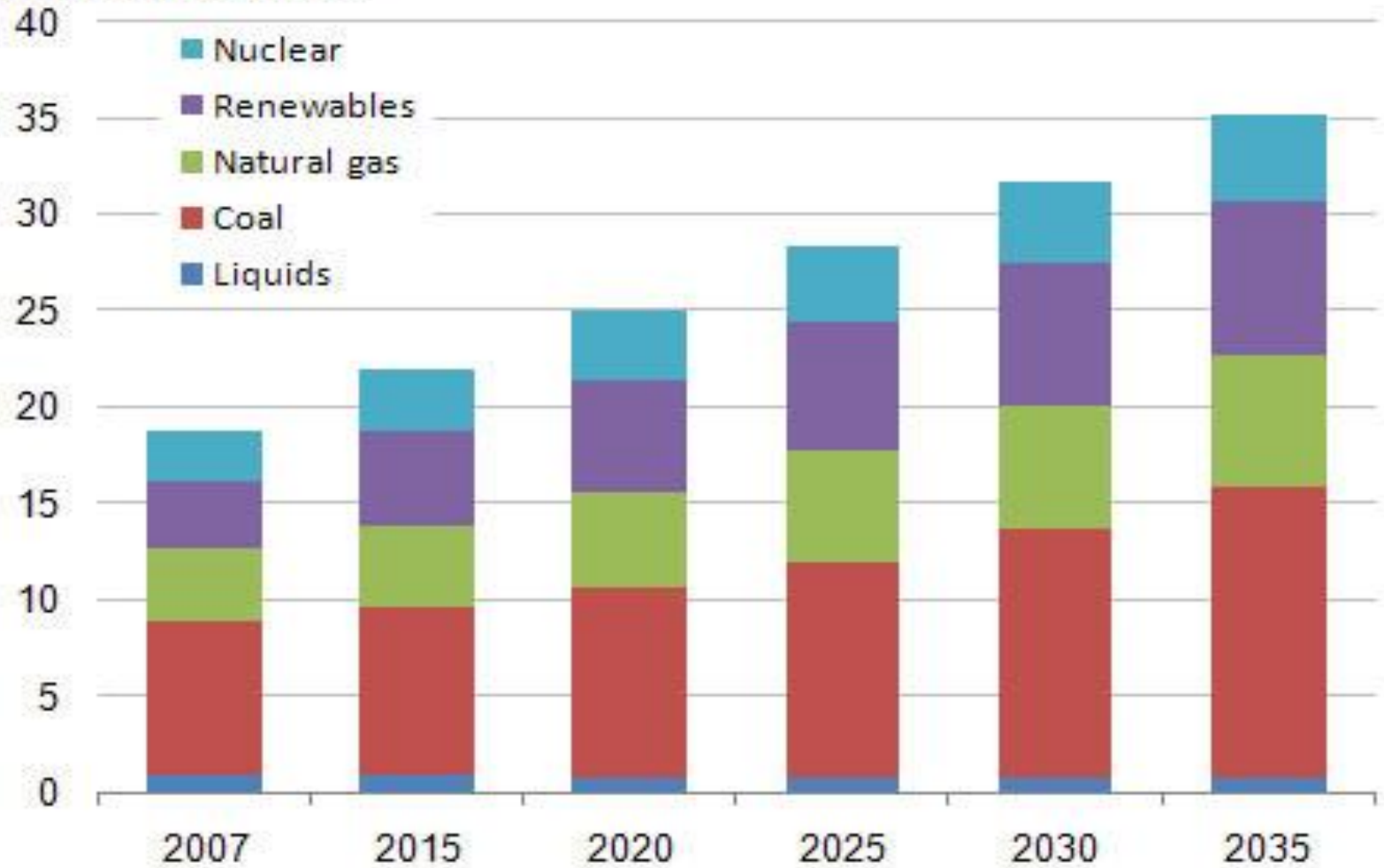
<u>Act</u>	<u>Subject (s)</u>
Clean, Renewable and Efficient Energy Act, 2008 PA 295	Energy optimization, renewable energy, government efficiency, wind zones, net metering
Regulatory Reform, 2008 PA 286	File and use, mergers/asset transfers, certificate of need, electric choice 10% cap, cost-based rates
Customer Choice and Electricity Reliability Act, 2000 PA 141	Electric retail choice, merchant plants, assure reliability
Electric Transmission Line Certification Act, 1995 PA 230	MPSC certification of major transmission lines
Low Income Heating Assistance and Shut Off Protection Act, 1984 PA 34; Weatherization 1984 PA 35	Temporary programs (continued by rules)
State Energy Emergencies, 1982 PA 191	Broad authority to Governor during emergencies
Adjustment Clauses, 1982 PA 304	Gas and purchased power rate adjustments (controversy with ballot proposals)

FEDERAL ENERGY POLICY – RECENT ACTS

<u>Act</u>	<u>Subject (s)</u>
HR 2454 – American Clean Energy and Security Act of 2009 (PASSED US HOUSE ONLY)	Cap and trade (GHG), RPS, Energy Efficiency, CCS
Energy Independence and Security Act of 2007	CAFÉ standards, biofuels, light bulbs/EE, grid modernization, etc.
Energy Policy Act of 2005	Assortment – daylight time, nuclear support, RE support and subsidies, clean coal, biofuels (ethanol), various studies, Great Lakes drilling ban, reliability standards
Energy Policy Act of 1992	Assortment – promote wholesale competition (FERC open access authority), energy efficiency/conservation, alternative fuels

Figure 6. World net electricity generation by fuel

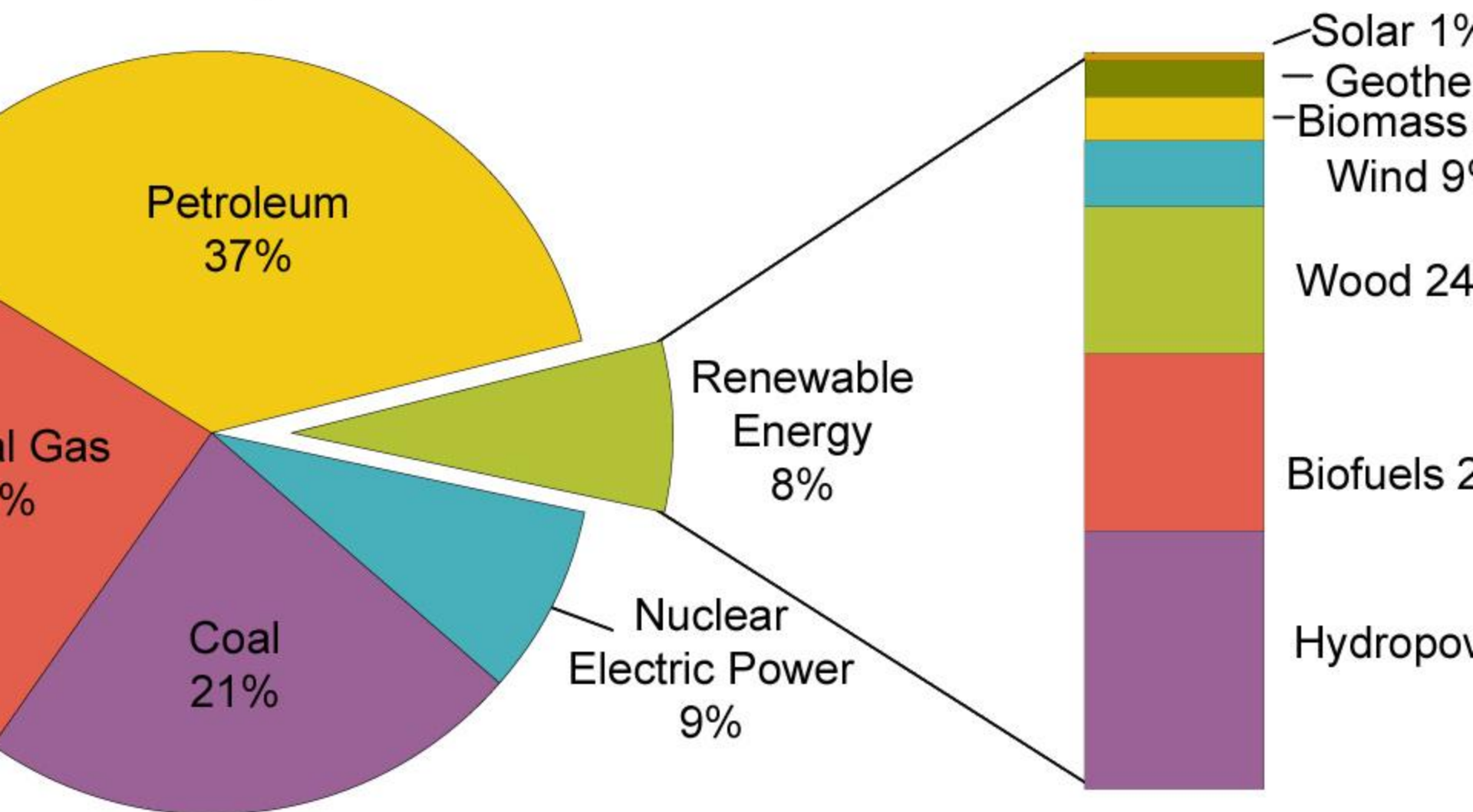
trillion kilowatthours



Energy Consumption by Energy Source, 2009

Total = 94.578 Quadrillion Btu

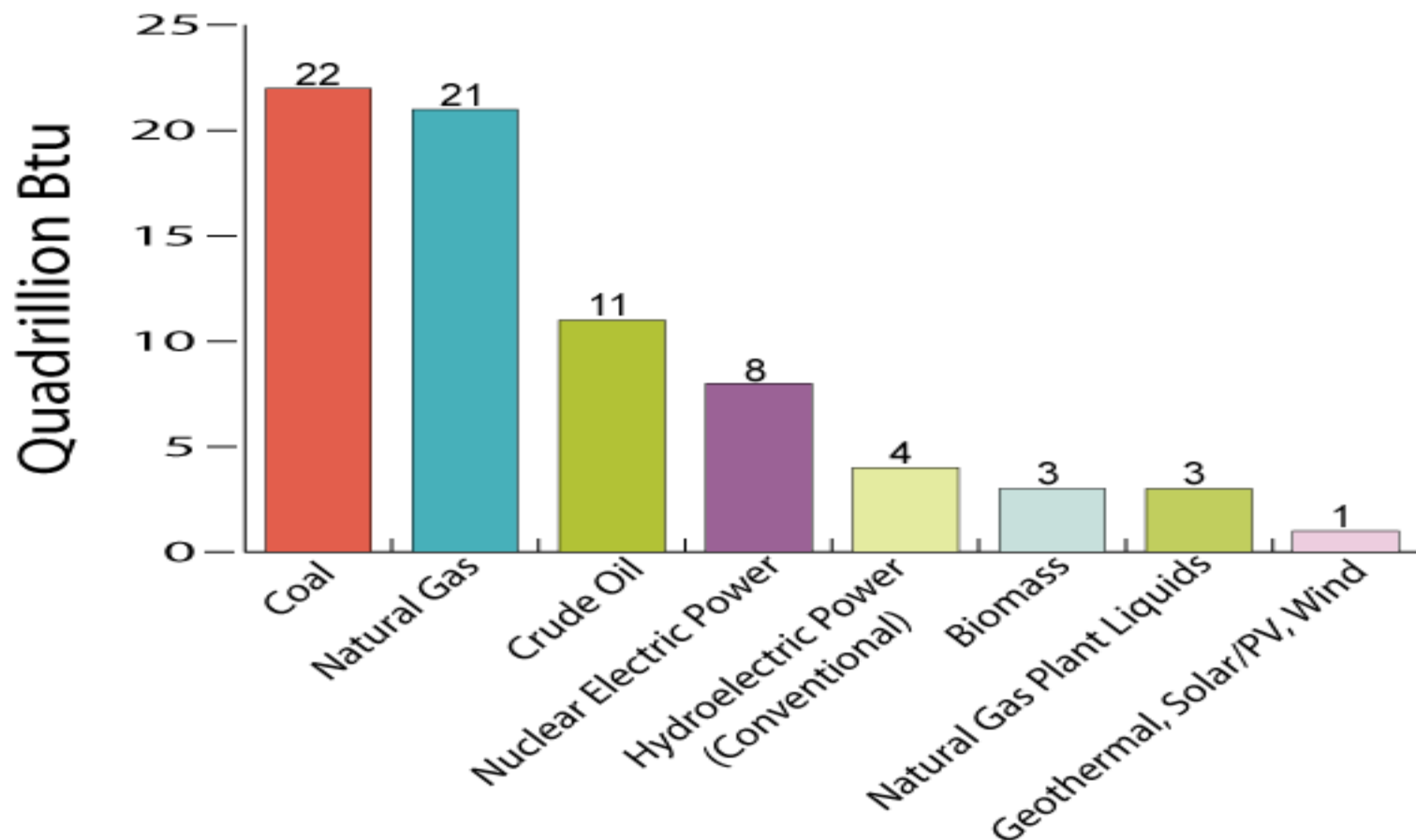
Total = 7.744 Quadrillion Btu



If components may not equal 100% due to independent rounding.

Energy Information Administration, *Annual Energy Review 2009*, Table 1.3, Primary Energy Consumption by Source, 1949-2009 (August 2010).

U.S. Primary Energy Production by Major Source (2009)



Source: U.S. Energy Information Administration, *Annual Energy Review 2009*, Table 1.2 (August 2010)

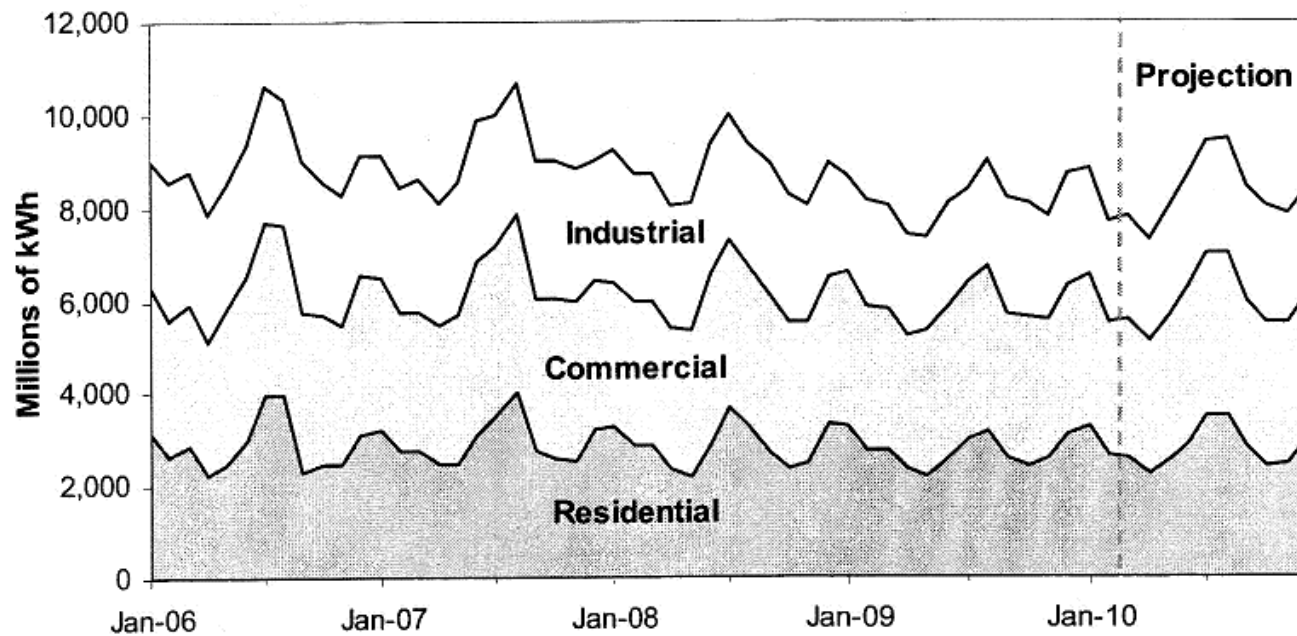
Table 2. Ten Largest Plants by Generation Capacity, 2008

Plant	Primary Energy Source or Technology	Operating Company	Net Summer Capacity (MW)
Michigan			
1. Monroe	Coal	Detroit Edison Co	3,129
2. Donald C Cook	Nuclear	Indiana Michigan Power Co	2,069
3. Ludington	Pumped Storage	Consumers Energy Co	1,872
4. Midland Cogeneration Venture	Gas	Midland Cogeneration Venture	1,837
5. Dan E Karn	Coal	Consumers Energy Co	1,791
6. Belle River	Coal	Detroit Edison Co	1,509
7. J H Campbell	Coal	Consumers Energy Co	1,453
8. St Clair	Coal	Detroit Edison Co	1,393
9. Fermi	Nuclear	Detroit Edison Co	1,173
10. Covert Generating Project	Gas	New Covert Generating Company LLC	1,058

MW = Megawatt.

Source: U.S. Energy Information Administration, Form EIA-860, "Annual Electric Generator Report."

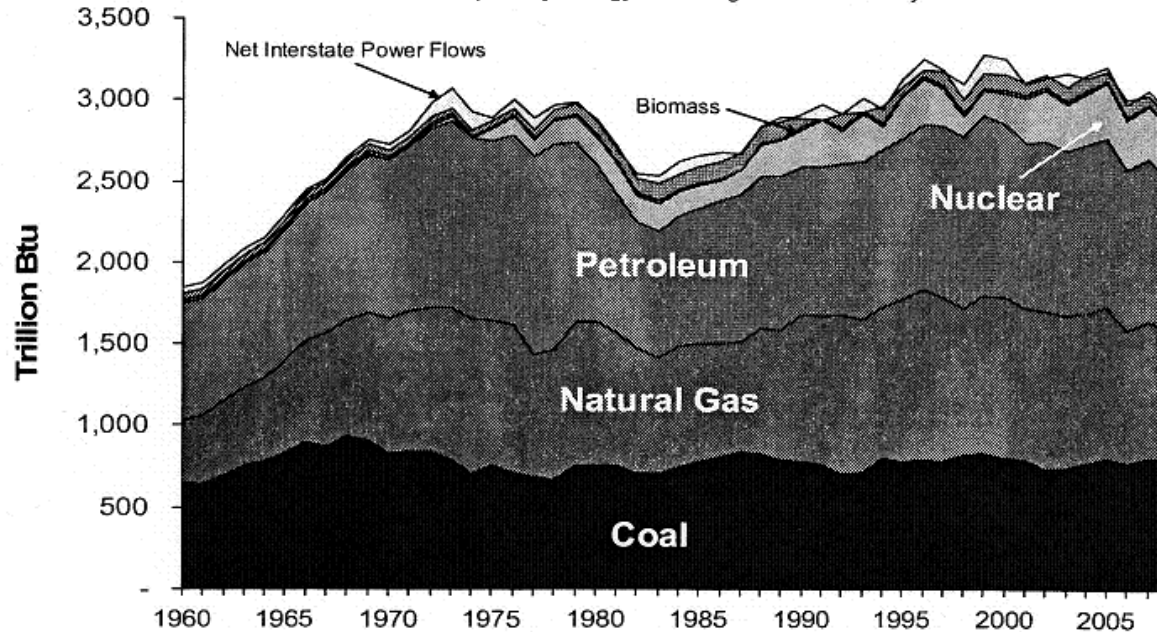
Michigan Electricity Sales



Total Energy Use in Michigan

1960-2008*

Includes the primary energy used to generate electricity



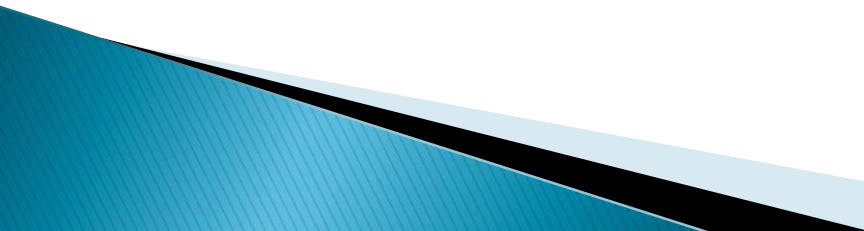
*Latest data available

Source: State Energy Data Report, Energy Information Administration,

Graph prepared by: Energy Data and Security, Michigan Public Service Commission

¹ State Energy Data Reports Energy Information Administration, February 2008
http://www.eia.doe.gov/emeu/states/sep_use/total/pdf/use_mi.pdf

RECENT OR POTENTIAL ENERGY GAME CHANGERS

- ▶ Potential Gas Committee Reports Unprecedented Increase in U.S. Natural Gas Resource Base (6-18-09; Michigan included – Antrim and Collingwood shale production)
 - ▶ The current economic decline has reduced the urgency regarding new energy supplies – if and when the economy rebounds, the new supply issue returns to prominence.
 - ▶ After the Fall 2010 elections.....will there be a change in the politics favoring centralized energy planning, climate action, EE and RE mandates?
 - ▶ The impact of the projected EPA regulatory actions on the price and supply of electricity from traditional generating plants.
 - ▶ Will there be a breakthrough technology?
- 

Michigan – Energy Challenges Ahead

- Improvements to Efficiency, Conservation and Load Management Measures
 - Informing and Educating Utility Customers
 - Making the reasonable investments in new technologies.
 - The changing role of government regulation.
- 