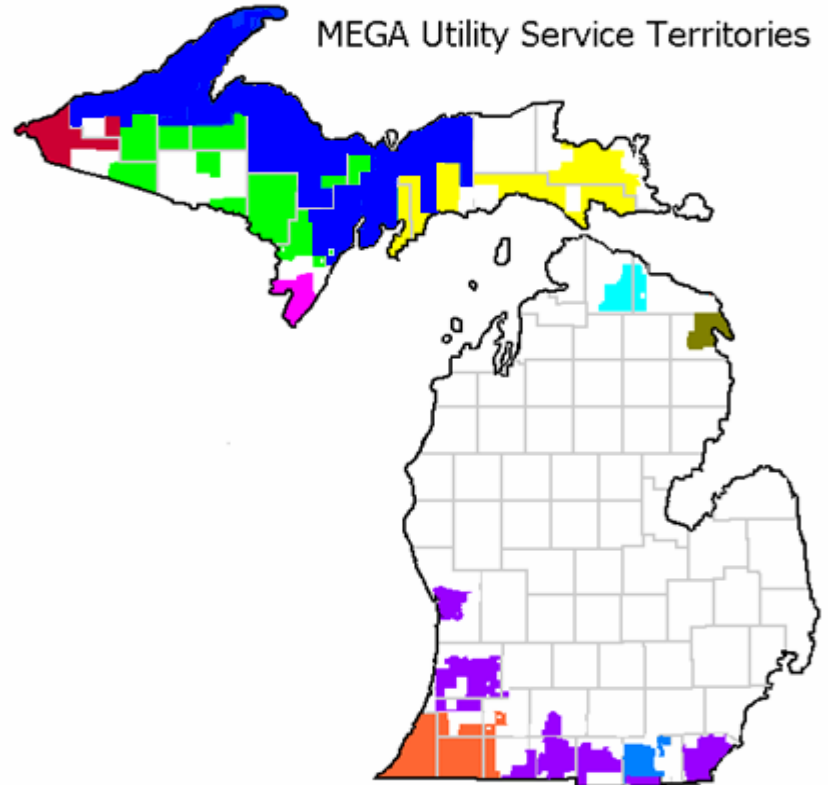


# **U.P. Energy Summit** *Industry Perspectives*

**Jim Ault**  
**President**  
**Michigan Electric & Gas Association**  
**September 17, 2009**

# Michigan Electric & Gas Association (MEGA)

- Edison Sault Electric Company
- Xcel Energy \*
- Upper Peninsula Power Company
- We Energies
- Wisconsin Public Service Corp \*
- Alpena Power Company
- Indiana Michigan Power Company
  
- Michigan Gas Utilities
- Aurora Gas Company
- Citizens Gas Fuel Company



# MEGA Board of Director Companies



# What is Energy Optimization?

- Plans by utilities required by 2008 PA 296
- EO includes efficiency, load management and conservation
- MEGA companies elected joint program run by state selected nonprofit administrator
- Michigan Community Action Agency Association (MCAAA) selected

# State Administrator EO Program - MCAAAA

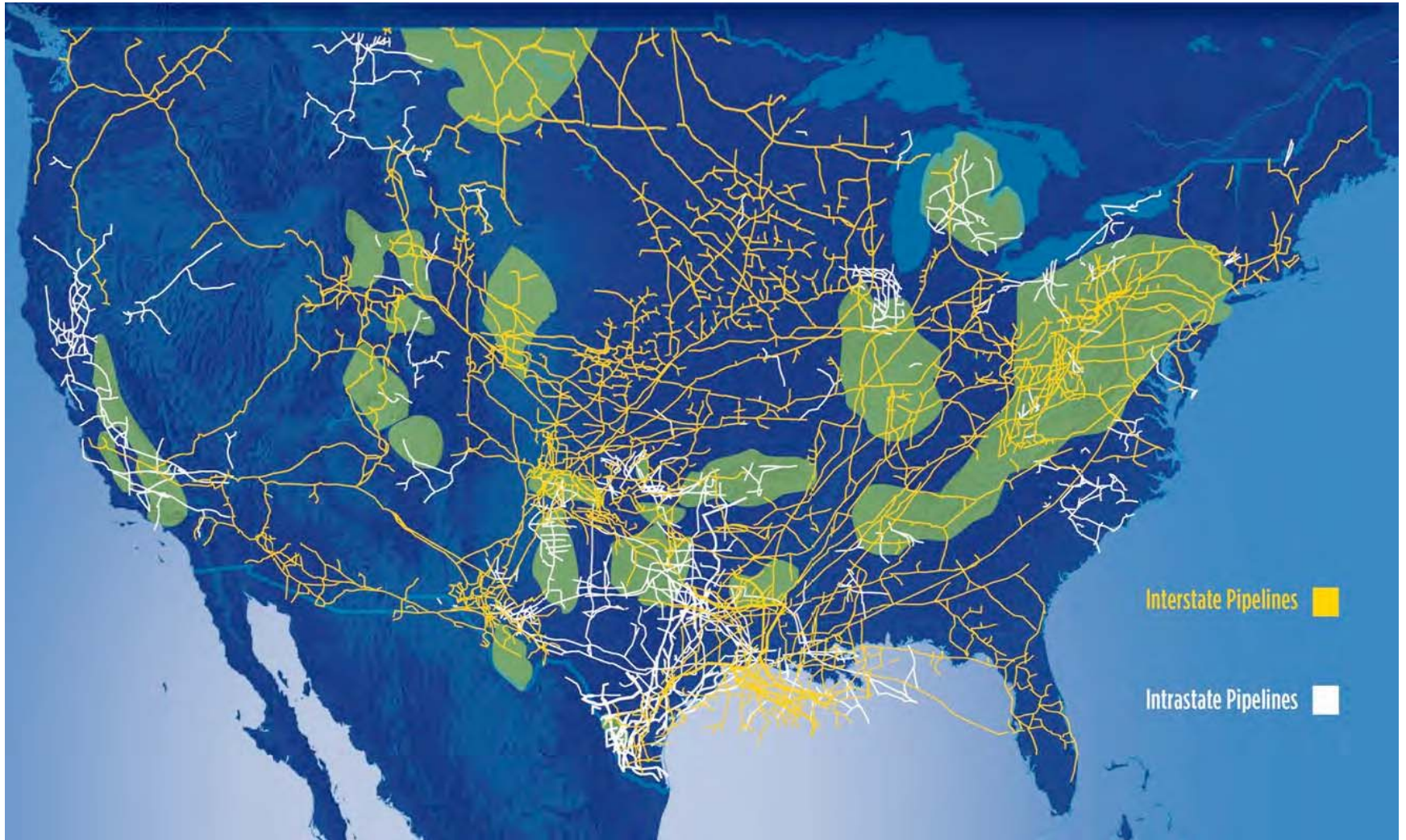
- Funding \$35.1 million 2009-11
- MCAAAA working on EO programs for other providers: Consumers, DTE, cooperatives and municipals
- MCAAAA partner providers include CLEARResult, Urban and Northern Options, WARM Training, Inskeep Design, Maiorana and Morgan Marketing Partners
- Programs under development for late 2009

# Recommended EO Measures



Measures installed depend on primary heating source

# Shale Basins and the U.S. Pipeline Grid



Source: American Clean Skies Foundation.

# Potential Gas Committee

## Determination of Future Domestic Supply of Natural Gas

	DOE Reserves	+	Traditional Resources	+	Coal Gas	=	Future Supply	+	Cumulative Production	=	Ultimate Resource
1990	169		855		147		<b>1,172</b>		777		<b>1,949</b>
1992	165		854		147		<b>1,166</b>		815		<b>1,981</b>
1994	164		881		147		<b>1,192</b>		853		<b>2,045</b>
1996	166		921		146		<b>1,234</b>		893		<b>2,127</b>
1998	164		896		141		<b>1,202</b>		933		<b>2,134</b>
2000	177		936		155		<b>1,268</b>		973		<b>2,241</b>
2002	187		958		169		<b>1,314</b>		1,013		<b>2,327</b>
2004	193		950		169		<b>1,312</b>		1,053		<b>2,364</b>
2006	211		1,155		166		<b>1,532</b>		1,091		<b>2,623</b>
2008	238		1,673		163		<b>2,074</b>		1,132		<b>3,206</b>



# Natural Gas Price and Supply

- EIA projects \$2.32 per Mcf at Henry Hub in October, lowest since 2001 (compare to \$10.33 April '08) and prices of \$3.65 rising to \$4.78 in 2010
- Natural gas can compete with coal for base load electric generation (combined cycle plants)
- Wholesale supplies at low prices re-establish opportunity for marketers to compete with utility locked in supplies at higher prices
- Gas generation has lower emissions if carbon tax or caps are adopted by Congress
- Gas space heating prices will drop gradually as higher cost gas remains in the utility supply mix
- Dramatic change in circumstances from just a few years ago when domestic supplies were predicted to decline and LNG and/or Alaska NG pipeline needed to fill the gap

# Regulatory and Political Issues

- Will it be possible to build any base load coal units in lower Michigan (MPSC Staff Sept. 8 reports on EGAA for Consumers Energy and Wolverine in U-15996 and U-16000)?
- Uncertainty with possible new federal requirements for carbon cap and trade, renewable energy requirements and efficiency programs emerging from Congress.
- Many issues regarding implementation of energy optimization and renewable energy plans from 2008 PA 295. Examples: revenue decoupling and measurement/verification of energy savings
- 2008 PA 286: rate case self implementation procedures and dealing with the 10% cap on electric retail choice (Consumers Energy over the cap already)
- Continued effects of the Michigan economy on electric and gas demand and revenues.

**Thank You – Questions????**