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July 9, 2009

Ms. Mary Jo Kunkle
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
P.O. Box 30221
Lansing, MI 48909

Re: Case No. U-15996: Electric Generation Alternatives Analysis for Proposed Permit to Install No. 341-07 for an Advanced Supercritical Pulverized Coal Boiler at the Karn-Weadock Generating Station

Dear Ms. Kunkle:

Enclosed for filing in this proceeding is supporting data used in the Electric Generation Alternatives Analysis previously submitted in this case. This information is being provided in response to the July 1, 2009 e-mail sent from the MPSC Staff.

If there are any questions, please call either myself or Kristin VanReesema at (517) 788-2925.

Sincerely,

Jon R. Robinson

cc: G. Vinson Hellwig, MDEQ
Mary Ann Dolehanty, MDEQ
David Riddle, MDEQ
Paul Proudfoot, MPSC
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Stephen T. Wawro

Question:

1. Would there be any changes to Consumer's long term supply plans should the renewable energy and energy efficiency policy goals set forth in the Michigan Climate Action Council and the Midwest Governors Association come to fruition? Specifically, the MCAC and MGA goals of a 20% RPS by 2020, 30% RPS by 2030, and additional Energy Optimization targets beyond 2015 with annual incremental savings of 2% of total annual electricity sales in MWh in the preceding year. Please describe any changes to Consumer's long term plan, should these policy goals come to fruition.

Response:

Consumers has not modeled the sensitivity of the MCAC and MGA goals into our long term supply plans. The MCAC and MGA goals were recognized as long term goals which were directional but not based on studies or empirical evidence.

The Company has not considered levels of renewable energy higher than the levels required in PA 295 because the cost of those resources is expected to be greater than other available alternatives. No provision has been made in the MCAC or MGA goals to provide funding for the incremental cost of additional renewable resources.

The attached graphs (Attachment 1 and 2) show peak load and capacity (Figure 2) at a more aggressive Energy Optimization ("EO") high case of 1% per year assumption and a EO low case of 0% per year reduction after 2015. At the EO 1% per year level, there is a slight capacity surplus until the Palisades Power Purchase Agreement expires. The EO 0% per year level assumes EO programs are not cost effective after 2015 and the programs are suspended.

The company believes 0.5% per year of EO program implementation after 2015 is a reasonable assumption at this time based on the following:

- a. The EPRI study on EO and demand management programs indicates that the company assumptions are reasonable. The peak range for achievable potential reduction in summer peak demand in 2030 of 14% to 20% on pg. 7 of the EPRI report is for **both** EO and demand response programs. Without any current experience with EO and other demand management programs, the Company's analysis assumed that by 2030, 857 MW of customer demand would be offset by interruptible service, demand response and direct load control resources, in addition to the 701

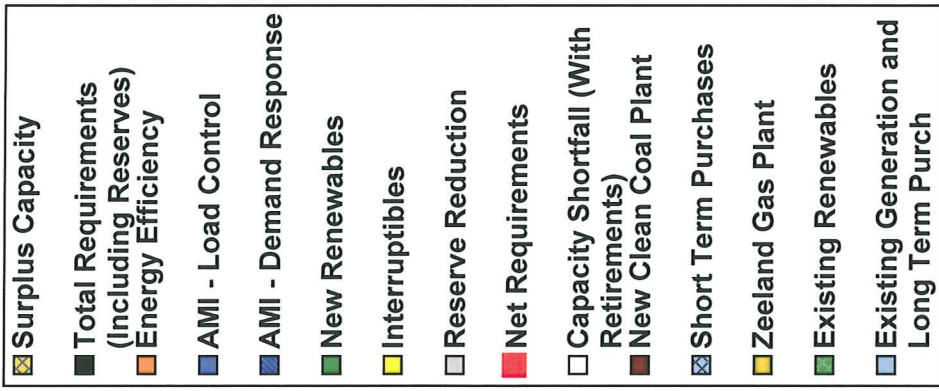
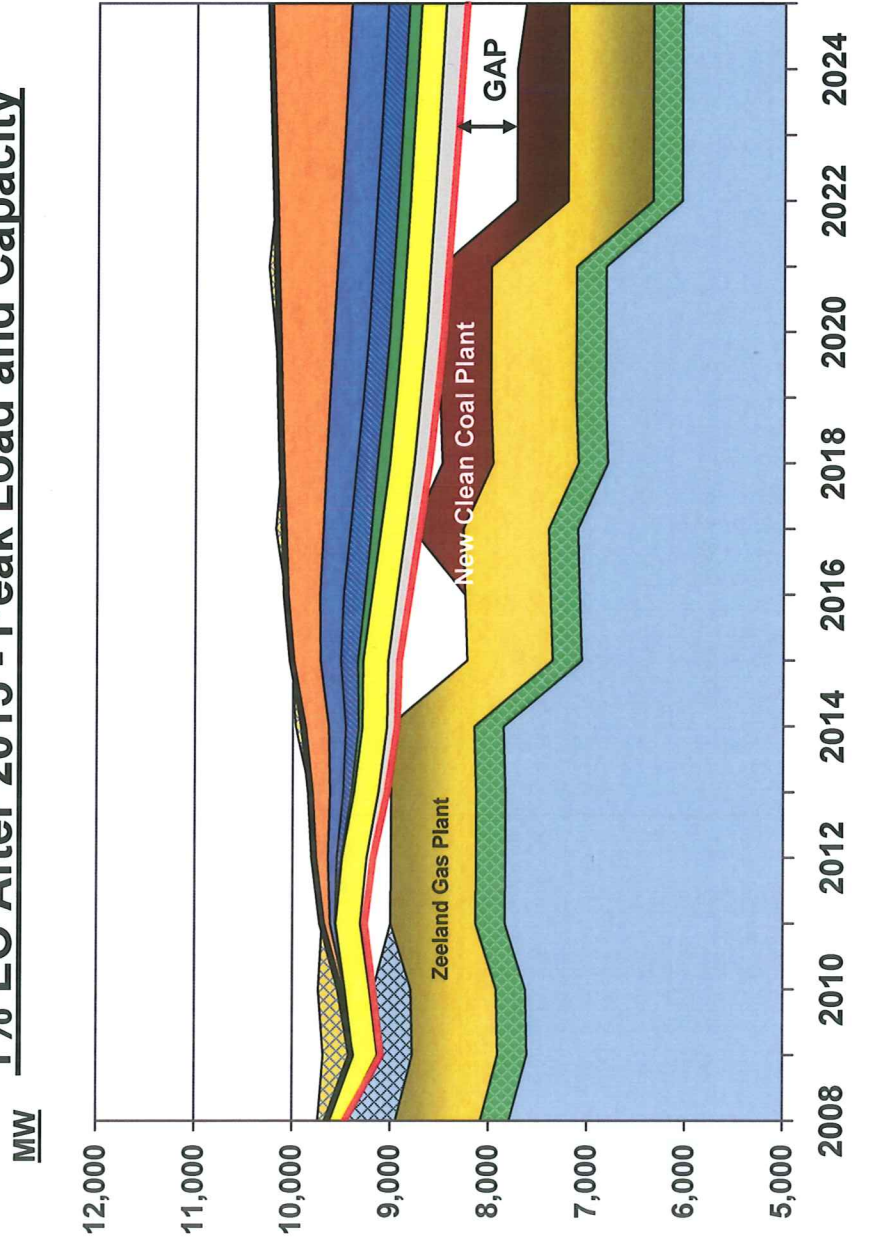
MW offset by energy efficiency. This combined capacity offset is approximately 18% of the net requirements associated with the Company's demand forecast.

b. The Brattle Group report for demand management programs suggested that the company's assumptions may have been aggressive.

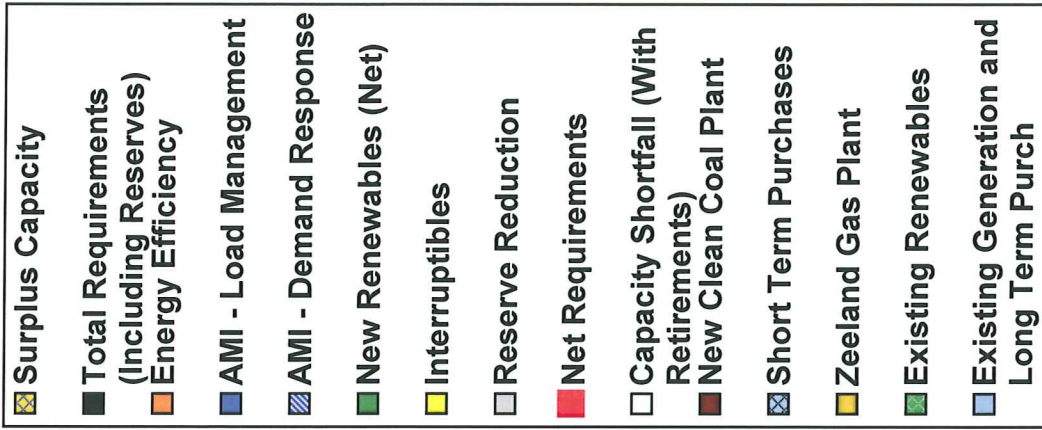
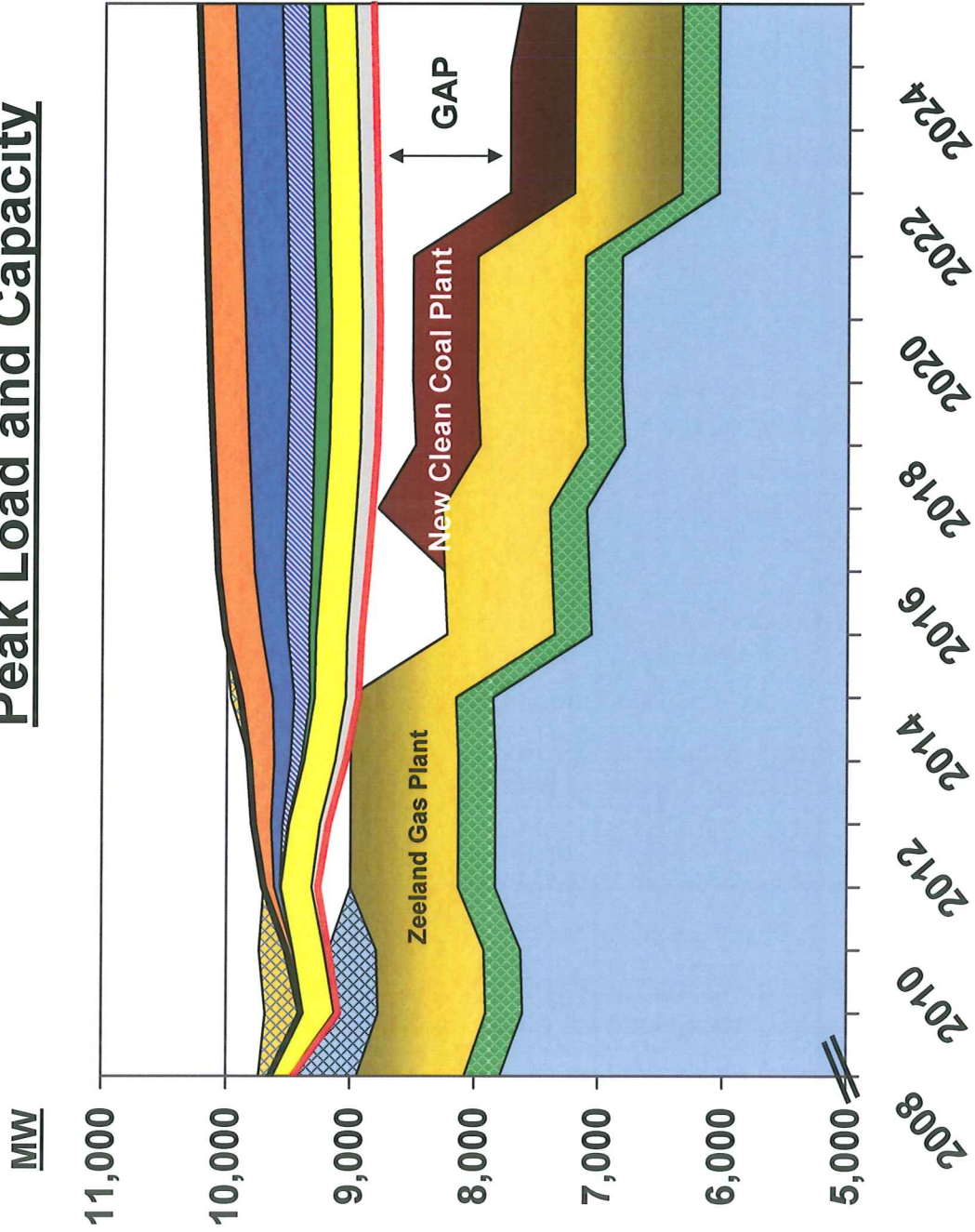
c. The October 2008 legislation acknowledges that there is uncertainty about the EO program results and requires the MPSC to assess the situation in 2015 (which could result in termination of the program).

d. If we assume a higher EO reduction level and do not reach it, or the various programs do not get to the levels assumed, the company would be subject to the market for capacity and energy in the future to replace the capacity and energy reductions that did not come to fruition. This puts our customers at risk for higher and volatile prices.

1% EO After 2015 - Peak Load and Capacity



No Incremental EO After 2015 - Peak Load and Capacity



Question:

2. How would a Federal RPS of 20% impact Consumer's long term plan?

Response:

Consumers has not modeled the sensitivity of a 20% Federal RPS into our long term supply plans. House Bill 2454, recently affirmed by the House of Representatives, contains a requirement that 20% of the demand served by certain utilities be supplied by renewable energy or offset by energy efficiency. We note that compliance can be demonstrated by non-capacity solutions such as energy efficiency, Federal Renewable Energy Credits or Alternative Compliance Payments. As a result it is not clear that a Federal RPS, similar to that contained in HB 2454 will impact the Company's long-term capacity plan.