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A year after announcing plans to build a new power

By Eric English

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Alexander Cohn | Times Photo

Consumers Energy is keeping positive about its prospects for building a \$2.3 billion power plant in Bay County's Hampton Township.

But a year after the company announced its big building plans, some significant hurdles continue to short circuit the start of the project.

State lawmakers are wrangling right now over a complex rewriting of state energy law that Consumers says is needed to build the plant. The legislation could come to a vote as early as Sept. 9.

And the Michigan Department of Environmental Quality has not signed off on an air quality permit required for the proposed 800-megawatt, coal-fired plant. That could take a year or more.

Despite the delays, Consumers spokesman Daniel C. Bishop said the company is committed to making the plant a reality.

"We remain optimistic that the ball will get over the goal line," Bishop said.

If legislation is approved and an air permit issued, the Jackson-based utility giant still hopes to break ground on the project in 2010, with a goal of having the plant operating by 2015, according to Consumers spokesman Kelly Farr.

The project would be one of the largest and costliest industrial projects in Bay County history, creating an estimated 1,800 construction jobs, 80 permanent jobs and nearly \$4 million in annual property tax revenue.

Those figures had Bay County leaders cheering in September 2007 when Consumers unveiled the plan at an event held at its Karn-Weadock generating complex at the mouth of the Saginaw River. That's where the new plant would join two others currently operating at the site.

Consumers officials were quick to point out that the project would require a substantial change in state energy law to become a reality.

Energy legislation has been one of the hottest topics in Lansing all year. Lawmakers have drafted sweeping changes that, in their current form, would give Consumers what it wants. But other energy issues at stake are holding up a final vote. Those changes would require that a percentage of Michigan's energy come from renewable sources and create a statewide energy efficiency strategy.

"This is an extremely complex package with many moving parts," said state Rep. Jeff Mayes, D-Bay City, who helped draft some of the legislation.

"There are still some major points of difference between the House, the governor's position and the Senate majority, however, conversations are still occurring," Mayes said last week.

Different versions of energy bills were approved this year by the House and Senate, and they currently are in the hands of a joint conference committee trying to work out a compromise.

State Sen. Jim Barcia, D-Bay City, said he expects to see a package emerge from committee and a vote on the energy bills as soon as Sept. 9, when both chambers are back in session from a summer break.

"There's a lot of pressure on the Legislature to act, because there are a lot of businesses looking to invest here and, if they don't get a signal from the state, they will look elsewhere," Barcia said.

Those businesses include renewable energy companies that want Michigan to establish a renewable-energy requirement mandating that a certain percentage of energy come from solar, wind or sources other than fossil fuels.

For its part, Consumers Energy wants its own changes in state energy law. Under current law, electric customers can pick their supplier, allowing large users to negotiate for service with Consumers or other independent energy producers operating in Michigan.

Some argue that keeps energy rates in check by promoting competition, and that rate increases will happen under the new laws.

"We've had the most competitive rates here in the Midwest," said Barry Cargill, head of a group called the Customer Choice Coalition, which opposes the changes backed by Consumers and Detroit-based DTE Energy.

Yet Consumers Energy argues that energy law must change to give the company enough certainty about its customer base to move forward with the expensive new plant.

Michigan Attorney General Mike Cox in March slammed the proposed law change sought by the company, claiming it would result in a 30 percent to 40 percent increase in electricity costs. But Cox has changed his stance.

"At this point, we don't have a position on the legislation," said Matt Frendewey, a spokesman for the Attorney General's office. "We'll have to see what comes out."

Frendewey said he could not explain why Cox has backed off from his earlier criticism.

Mayes said he believes energy costs are going up no matter what happens with the law.

State lawmakers are trying to craft a policy that gets ahead of the curve, he said.

"There may be some short-term (cost) impact for long-term benefit, but most agree that the worst thing is to do nothing," Mayes said. "You'll be more volatile on costs and you'll be getting more energy from out of state."

Consumers Energy and DTE Energy have enlisted the support of the Michigan Chamber of Commerce and other groups under the Jobs and Energy Coalition in a push to pass the legislation.

The coalition spent about \$2 million this year on a television advertising campaign to promote its position, according to Kelly Rossman-McKinney, a spokeswoman for the group.

"It's not unusual in this day and age, and it's very much driven by the need to really educate relatively new legislators," Rossman-McKinney said.

Rich Robinson, executive director of a political watchdog group called the Michigan Campaign Finance Network, estimates that Consumers Energy and DTE Energy contributed an additional \$366,000 to state legislators and their leadership and caucus committees this election cycle.

"It's an awful lot of money, but it's very high stakes," Robinson said.

Mayes' campaign finance records show he received \$1,600 from the DTE Energy political action committee and \$700 from the Consumers Energy action committee this year. Barcia's most recent campaign contribution report from 2007 shows no income from either committee.

Senate Majority Leader Michael D. Bishop, R-Rochester, issued a statement Aug. 21 that Senate Republicans would try to finish an energy plan the week of Sept. 9.

Bishop said his party is pushing for income tax credits to help people offset price increases associated with renewable energy mandates and tax credits for the purchase of energy efficient products.

If the Legislature approves the change in law sought by Consumers and Gov. Jennifer Granholm signs the bill, it will be one big step toward a ground-breaking for the new power plant. But it won't be the last barrier facing the project.

The DEQ also must issue an air permit for the plant and Consumers must secure financing for the huge project.

Bishop said the company remains hopeful that it can pull off its plan.

"Michigan has an aging power plant fleet and there is a need for new and cleaner and greener power sources in our state," Bishop said.