

### Who is the IICC?

The IICC is a bi-partisan renewable energy citizen's watchdog group based in Blissfield, Ml.

Our constituents are approximately 40% Democratic & 60% Republican. They range from self-identified liberal environmentalists to free-market libertarians.

Many of our supporters live on the front lines of industrial wind development in the State of Michigan.

We seek energy policy that is affordable, reliable and socially and environmentally responsible.

### **Please note:**

Wind energy advocates use about a dozen misleading arguments to gain preferential access to Michigan ratepayers' wallets. It is impossible for me to rebut all of them in just one short hearing.

And as a volunteer ratepayer advocate, I simply cannot afford to spend the amount of time in Lansing as 100 paid energy lobbyists can.

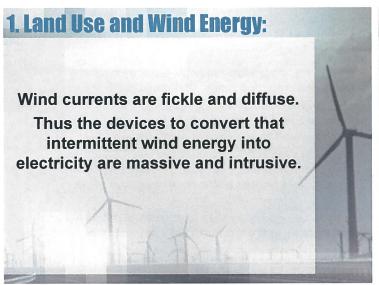
It is my sincere hope that my testimony today opens the door for the IICC to become a trusted and independent source of information as you wade through the many claims made by wind energy advocates.

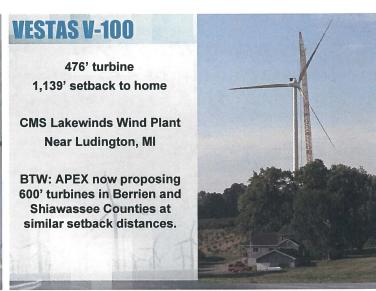
### **Looking back:**

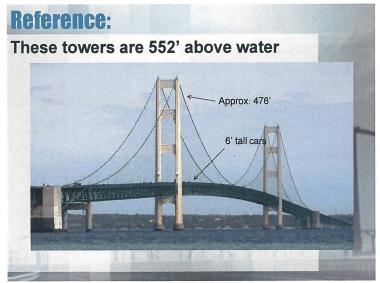
Michigan's wind energy experiment began in earnest in 2008 with the adoption of PA295 and it's 10% renewable energy mandate.

What have we learned in the past 9 years?

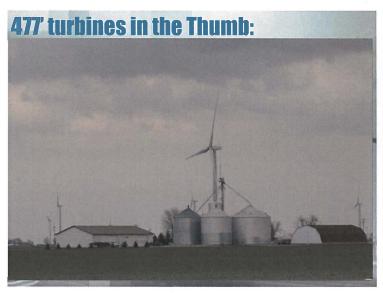
And was the 5% increase in the mandate warranted by the facts?

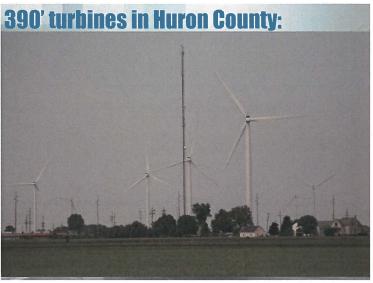








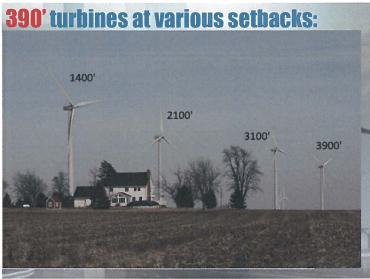


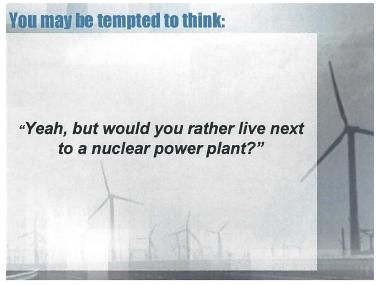


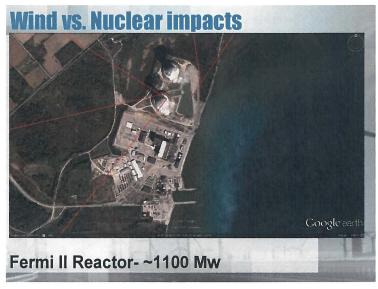


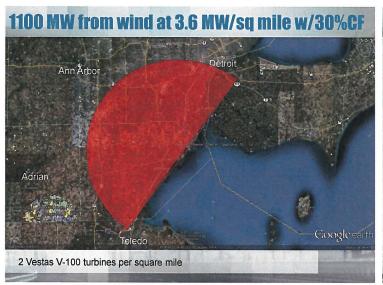




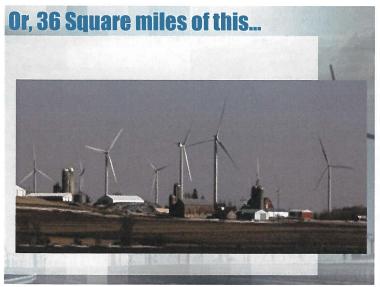


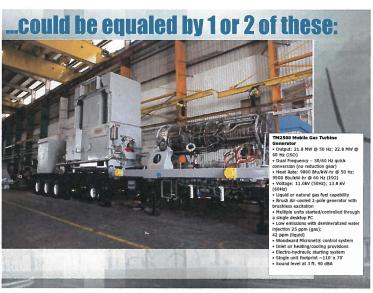














### My point?

Every coal, gas and nuclear power plant in the State of Michigan would fit neatly in the footprint of only one or two townships.

While there are certainly neighbors who object to living next to conventional power plants, their numbers are relatively trivial compared to the hundreds of thousands of people in hundreds of townships who would have their neighborhoods transformed into 50 or 60 story intermittent power plants.

### 40% wind costs, "back of envelope":

40% wind would require 7,200 turbines covering 3600 square miles at a rate of 2 per square mile.

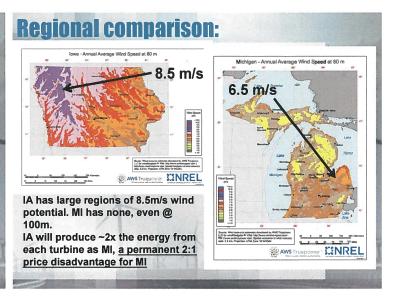
The installed costs for the turbines alone would exceed \$30 billion and that expenditure would need to be repeated on a 20 year rolling cycle because wind turbines only last about 20 years.

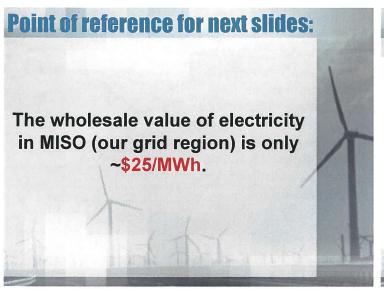
There would be massive additional transmission costs as well as billions in new gas-fired generation costs to balance and backup so much intermittent wind energy.

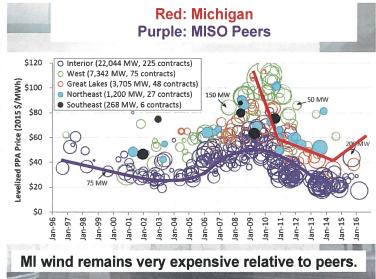
### 2: MI instate wind mandate problematic

Despite my best efforts over the past two years, at the last minute language that requires qualifying renewable energy projects to be located only in Michigan was reinstated and signed into law.

# United States - Land-Based and Offshore Annual Average Wind Speed at 100 m Word Speed Wo







# **MI PPA prices vs. the Prairie States**

Weighted Average Cost Comparison						
Commission Approval	Company Owned	Power Purchase				
2015	\$50.00	\$45.00				
2014	N/A	N/A				
2013	\$55.95	\$50.04				
2012	\$52.50	\$49.25				
2011	\$67.16	\$60.90				
2010	\$104.00	\$97.33				
2009	N/A	\$115.00				
Total	\$74.49	\$73.58				

MPSC boasts about MI wind contracts dropping in price since 2009.

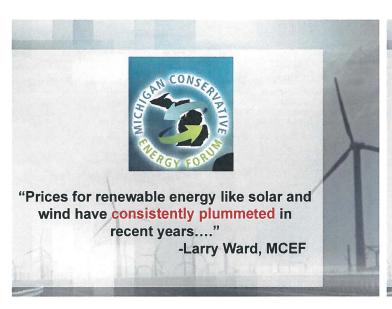
https://www.michigan.gov/documents/mpsc/PA\_295\_Renewable\_Energy\_Report\_2-12-16\_514511\_7.pdf

# **MI PPA prices vs. the Prairie State**

Figure 3: Bidders for the Missouri Utilities Latest Wind SEP - Who are the Players?

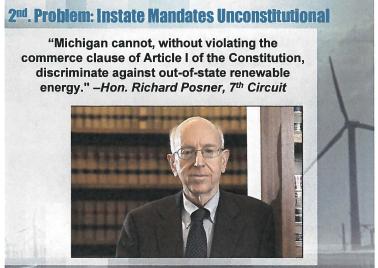
Bid/Wind Project	MW Bid		Price (MWh)	P	rice Fixed or Escalating	Location
Apex - Grant Plains	50	\$	21.95	F	ed	Grant County, OK
AV3 - Green Hills	64	\$	50.00	Es	- 1.0%	MO
Duke - Fronties City	200	\$	17.20	Es	- 2.5%	Kay County, OK
Duke - Fronties City	150	\$	17.35	Es	- 2.5%	Kay County, OK
Duke - Fronties City	100	\$	17.50	Es	2.5%	Kay County, OK
Duke - Fronties City	200	\$	20.99	Fi	ed	Kay County, OK
Duke - Fronties City	150	\$	21.24	90	red	Kay County, OK
Duke - Fronties City	100	\$	21.49	Fix	ed	Kay County, OK
		•				https://neo.ubs.com/shared/

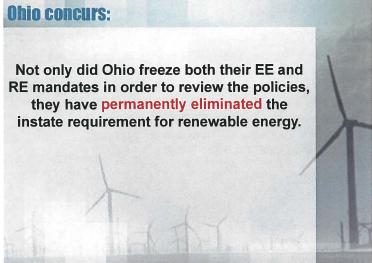
Yet our cheapest contracts are TRIPLE the price of contracts offered in Missouri. Michigan wind offers no advantage to ratepayers.

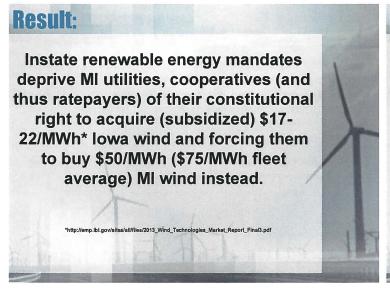


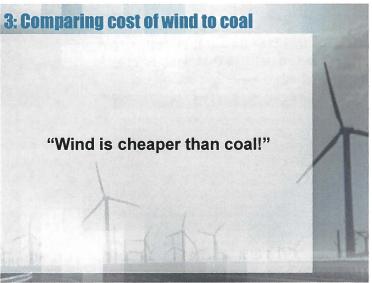
Red: Michigan
Purple: MISO Peers

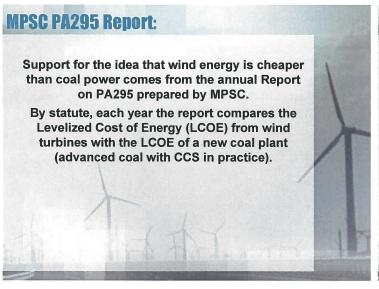
At \$60/MWh,
DTE's Pine River
project in Gratiot
County is the
most expensive
2016 published
wind contract in
the United States.











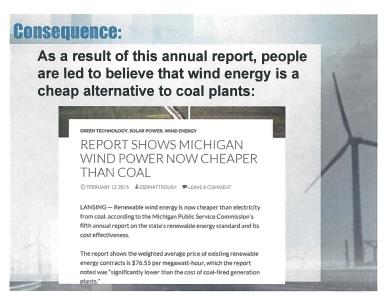
### **PA295 Annual Report**

"By comparing the levelized cost of \$133 per MWh for a new conventional coal-fired power facility with the combined weighted average levelized contract prices in Table 1, the cost of all renewable energy projects

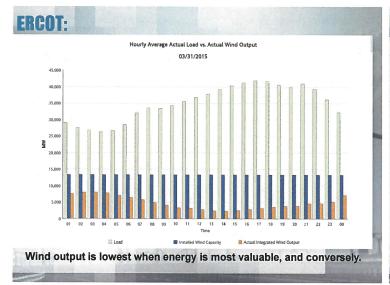
technologies is less than the coal guidepost rate..." MPSC Report

using multiple renewable energy

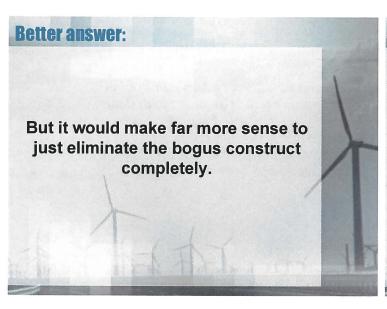
on PA295



# **Economically, this comparison is meaningless:** "...the production profiles for intermittent and dispatchable generation and the value of the electricity they produce are likely to be very different, making comparisons based on levelized cost alone meaningless" Dr. Paul Joskow, MIT COMPARING THE COSTS OF INTERMITTENT AND DISPATCHABLE ELECTRICITY GENERATII TECHNOLOGIES http://cadmus.eui.eu/bitstream/handle/1814/18239/RSCAS 2011 45.pdf?s



# "While the Commission is required to make a determination about the cost effectiveness of the renewable energy standard as compared to the life- cycle cost of electricity of coal-fired generation, it should be noted that renewable energy wind resources are not equivalent on a capacity basis when compared to coal-fired or other base load generation."



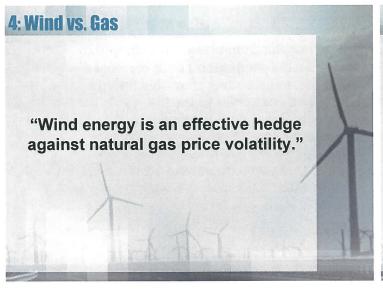
### **Accurate way to compare wind \$ with fossil \$:**

Wind turbines are not a replacement for fossil fuel plants. Wind turbines are merely a fuel saving accessory that can be added to existing fossil-fueled plants.

Michigan's average subsidized wind price is \$75/MWh. Adding subsidies and tax credits to this PPA price easily raises the unsubsidized average wind price to over \$100/MWh.

But the value of the fuel saved by adding wind to our portfolio is only ~\$25/MWh for coal or ~\$35/MWh for natural gas.

That is a poor value.

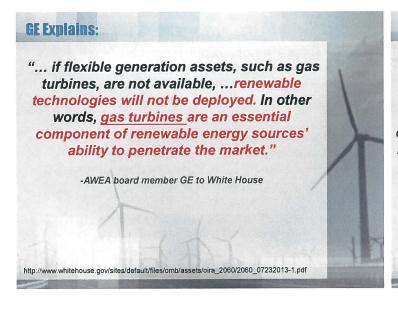


### **Basic misunderstanding:**

Promoters of wind energy like us to believe that the choice before us is "wind or gas".

But that is false.

Wind energy is largely dependent upon gas-fired generators for grid integration.



# "A combination of a large amount of renewable energy, combined with flexible natural gas plants and demand-response and efficiency, can ensure that our electric system has sufficient energy, capacity, and flexibility, and operates reliably...." http://web.archive.org/web/20130511225107/http://www.awea.org/leamabout/publications/upload/Baseload\_Factsheet.pdf

### What's my point?

Unlike coal and nuclear power, wind energy is almost wholly dependent upon gas fired generation *if* substantial penetrations of wind are being deployed.

This means that the more wind generation in a given region the more gas generation that is required. More gas generation means more exposure to the gas market, not less.

That is not a hedge!

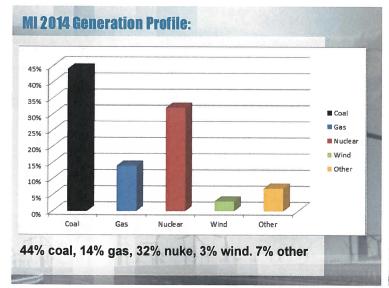
http://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC-CAISO\_VG\_Assessment\_Final.pdf

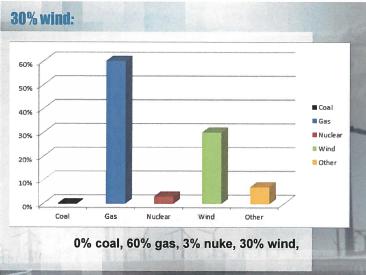
### Caveat:

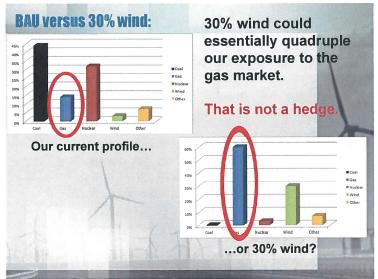
The slides I am about to show you assume a MI ratio of 2 parts gas to 1 part wind. This ratio can vary with available transmission and the generation mix in nearby grid regions.

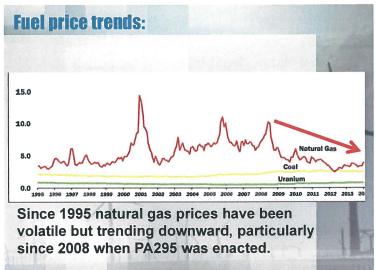
But the general theme is correct: for every unit of wind energy we mandate, we commit ratepayers to deploying and maintaining two units of gas fired generation somewhere.

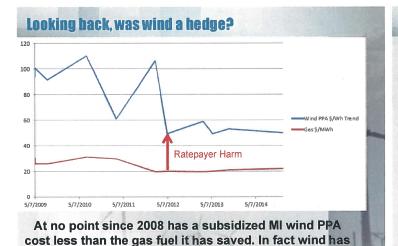
Thus a wind mandate is an even larger gas mandate.





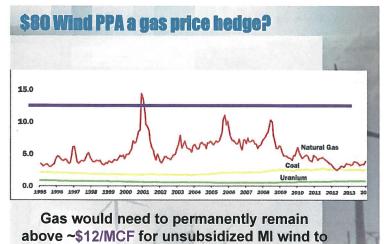






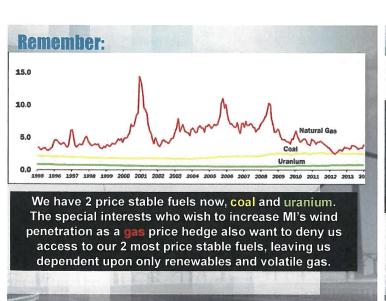
cost ratepayers 2.5-5x the value of the gas fuel saved.

# President Trump appears likely to end the federal PTC for Wind Energy. The 2015 Report on PA295 states that the DTE Energy Meade wind plant would have had a PPA price of \$47-53/MWh. (The project was stopped by Meade Township voters.) But they also report that if the project did not qualify for the PTC the price would rise to \$80/MWh. Thus DTE values the PTC at roughly \$30/MWh over 20 years.\* This strikes us as too high but it is in the report.



be of any value as a hedge.







### **How the utilities REALLY feel:**

"....utilities are not, and never have been, opposed to renewables mandates, Indeed. their recent filing at the PUCO promises to buy and develop more renewables as long as they get non-bypassable charges so they can stick people who are not even their customers with the excess charges. Sir, let me be clear: the utilities would make electricity through boy scout troops rubbing sticks together to make fire so long as they could pass the costs on to ratepayers."





### But WHY do the utilities not oppose RE?

All dollar amounts in millions totals yr 19 yr 20 Generic Windfarm 220 220 Nameplate Capacity(MW) 209 220 Cost (\$M) 220.00 n 11 **Capacity Factor** 0.31 \$ 125.33 0.94

According to calculations performed for me by MPSC, a generic 100MW wind plant of 100MW nameplate capacity would yield a ratepayer-guaranteed profit of \$120 million over the 20 year life of the plant.

Add to this another \$80 million in the federal PTC bringing the total to \$200 million.

And of course the entire construction cost is borne by the ratepayers so this is a "no risk" endeavor.

### **Extended across all installed projects**

Our example was based upon a theoretical 100MW wind plant.

But DTE has 907 MW of wind installed.

Using the previous chart, the total profit/tax credits for DTE over 20 years approaches \$1.8 billion, depending upon the capacity factor of the wind plant.

And CMS currently owns 255 MW of installed wind which adds roughly another \$500 million profits over 20 years.

Thus the total profits on the regulated utilities operating wind plants is approximately \$2.3 billion over 20 years.

So deploying wind energy under our current mandate has been very good to our incumbent utilities indeed.

### Are you saying profits bad?

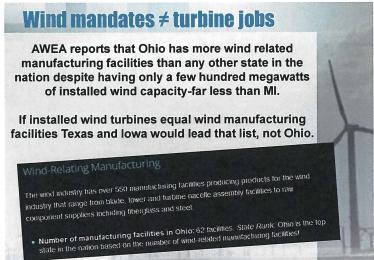
Certainly not. Profits are the reward for risk.

But these profits are a risk-free reward for building generating capacity that was simply not needed, particularly in 2008.

Worse, since wind turbines cannot replace our now-closing coal-fired power plants without the assistance of gas-fired generators, our ratepayers are being forced under our current energy law to push two shopping carts down the aisle-one filled with turbines and another with new gas-fired power plants-when only the cart with gas generators is necessary to guarantee economical supply.

And since turbines only last twenty years instead of 30-60 years like coal, gas and nuclear power plants do, wind turbines are the gift that keeps on giving for regulated utilities.





# **Cost side of ledger?**

EAF-based steel production is an energy intensive process that requires reliable and economically competitive energy supplies. The US steel industry spends over \$18 billion annually for electricity, and energy constitutes up to 15 percent of the cost of steelmaking. At the same time, this process is exceptionally energy efficient compared to other steel-making methods employed world-wide.

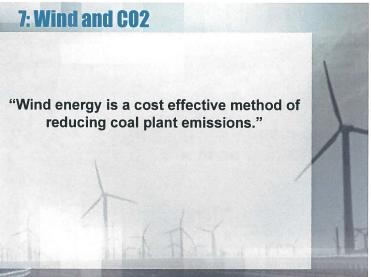


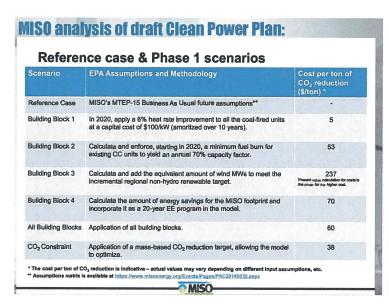
Just a 10% increase in electricity rates adds \$1.8 billion in costs to US steel industry alone. With 100,000 steel workers in the US, that is \$18,000.00/yr per employee no longer available for employee wages and benefits. Our wind contracts at \$75/MWh are 3 times the 2016 MISO average wholesale price for electricity.

# "Green jobs" debunked in one sentence:

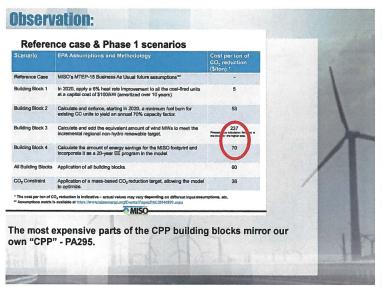
Since energy costs are an overhead cost for all human activity, the most desirable source of energy would require only one employee to operate the on/off switch.







Reference case & Phase 1 scenarios				
Scenario EPA Assumptions and Methodology		Cost per ton of CO <sub>2</sub> reduction (\$/ton) *		
Reference Case	MISO's MTEP-15 Business As Usual future assumptions**			
Building Block 1	In 2020, apply a 6% heat rate improvement to all the coal-fired units at a capital cost of \$100/kW (amortized over 10 years).			
Building Block 2	Calculate and enforce, starting in 2020, a minimum fuel burn for existing CC units to yield an annual 70% capacity factor.	53		
Building Block 3	Calculate and add the equivalent amount of wind MWs to meet the incremental regional non-hydro renewable target.	Present Value calculation for costs is the driver for the higher cost.		
Building Block 4	Calculate the amount of energy savings for the MISO footprint and incorporate it as a 20-year EE program in the model.	70		
All Building Blocks	Application of all building blocks.	60		



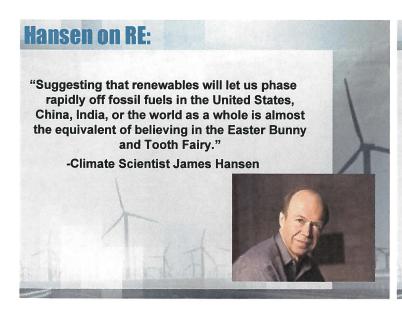


Michigan has constructed \$3 billion worth of wind turbines which roughly function as a 450MW intermittent generator.

Assuming this wind generation only displaced MI coal generation, that expenditure would reduce coal plant emissions by ~7%- but probably much less as wind more often displaces gas generation.

\$3 billion worth of new CC Gas power plants would have cut statewide HG and PM2.5 emissions by 50% and CO2 emission by 25%.

People who are serious about reducing coal plant emissions do not promote wind energy to do so.





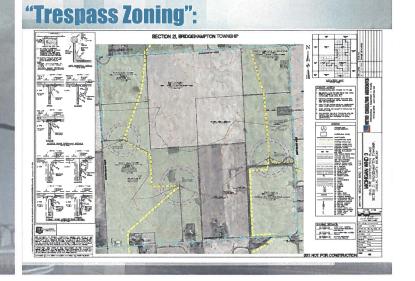
# **Unfair labeling:**

Opponents to wind are often crudely caricatured as NIMBYs.

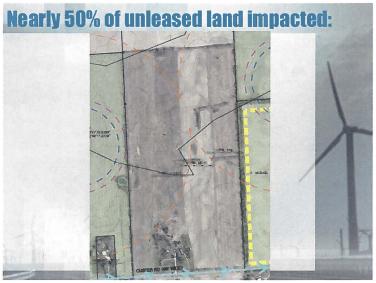
But in truth, due to the diffuse nature of wind, makes demands of local land use policy that no other land use demands.

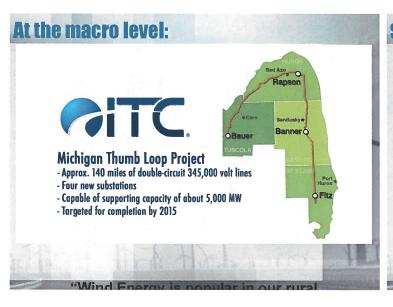
The land use regulations demanded by wind companies grants them a de facto uncompensated nuisance and noise easement.

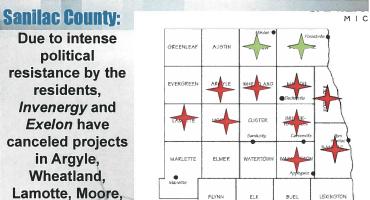
I call this "trespass zoning".





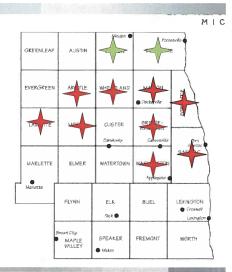






### Sanilac County:

Exelon brought suit against
Bridgehampton
Township last year.
They lost quickly.
The citizens there, like neighboring
Marion Township, ousted their board last year. A, W and M townships defeated permissive wind ordinances at the ballot box.



### **Sanilac County:**

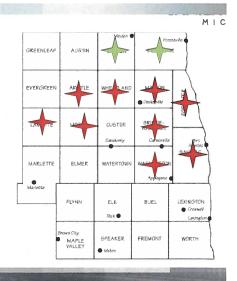
Marion,

Washington and

Bridgehampton.

Invenergy spent \$164,000 on PR in just Argyle Township alone. The people spent \$2,500.

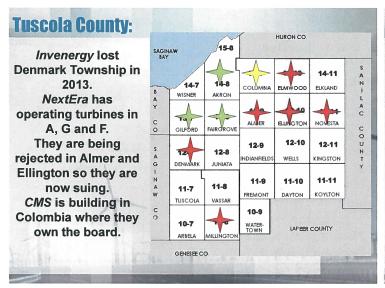
Nonetheless, the people defeated that PR blitz handily at the ballot box.



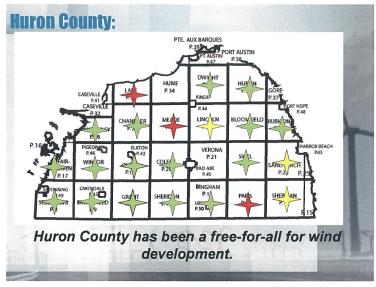
Rick

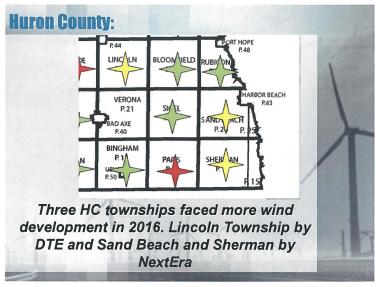
SPEAKER

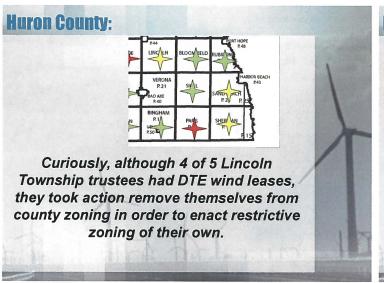
MAPLE

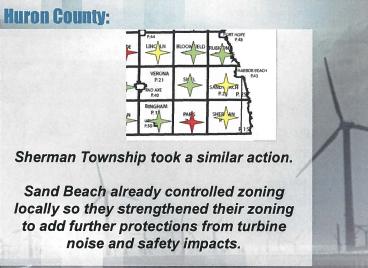


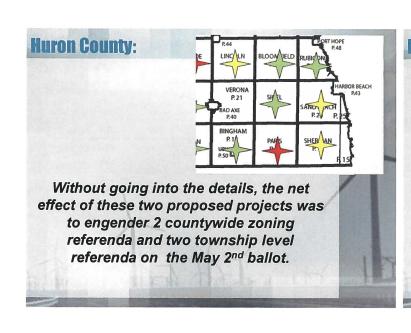


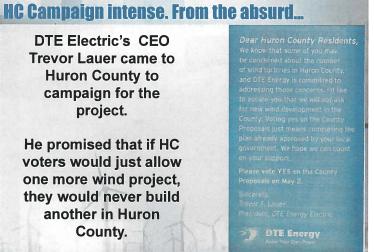


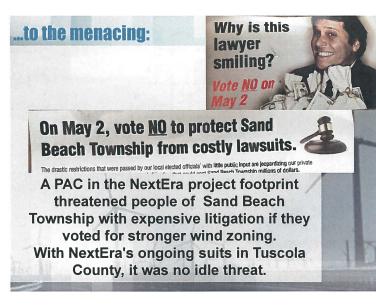




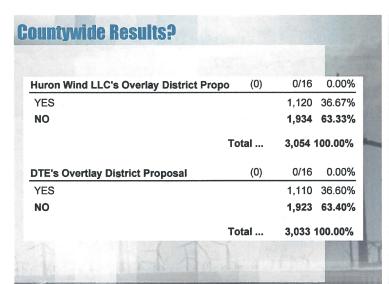


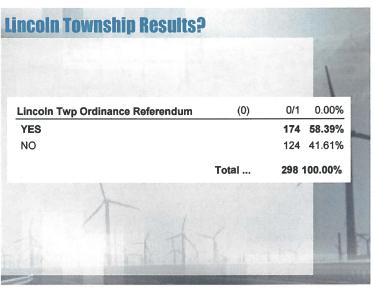




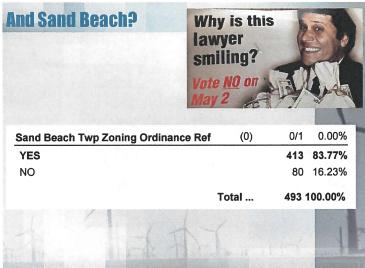


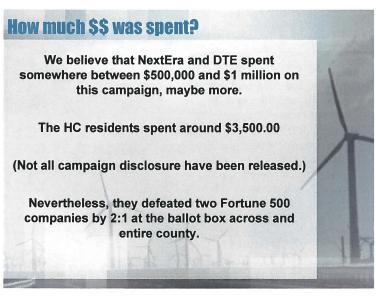


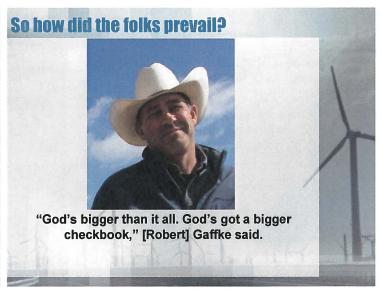




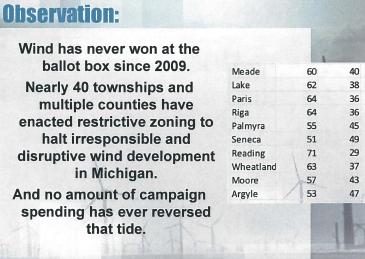


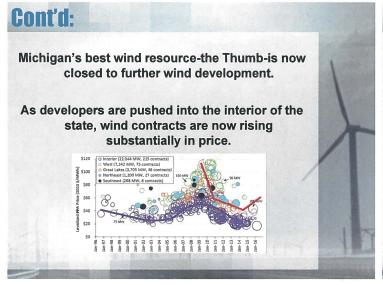






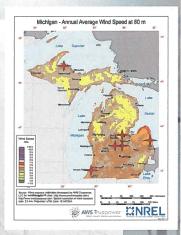


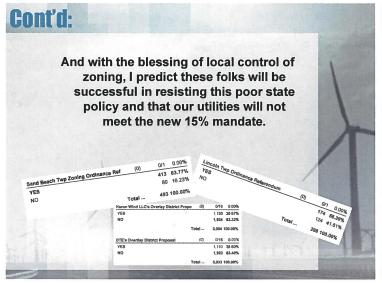




# Cont'd:

And as DTE, APEX and others move into poorer wind resource regions, they are being confronted with fierce and determined opposition as they attempt to exploit ever-more marginal wind resources.





# **Wrapping up:**

Michigan's wind mandate has been a harsh teacher.

- 1. Wind's low energy density has radically altered people's rural communities in a negative fashion.
- 2. MI's instate RE mandate harms ratepayers and is unconstitutional
- 3. Claims of "Wind cheaper than coal" are both false and deceptive
  - 4. MI wind contracts have never been cheap enough to serve as a gas price hedge



# Our current energy law has placed too irresistible

forces against each other:

A 15% RE mandate versus the clearly expressed will of the people to stop any further wind development.

