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U-17735 Acquisition of a Gas-Fired Power Plant

Michigan Public Service Commission
May 11, 2015

The Jackson Plant

- A 540 MW combined cycle natural gas-fueled electric generating plant located in Jackson, Michigan.
- Previously known as the Kinder Morgan Plant.
- Is currently owned by DPC Juniper.

U-17735 Rate Case Request

- Consumers Energy plans to purchase and acquire the Jackson Plant on or around December 1, 2015.
- Plan to purchase this plant for \$155 million.
- Projected annual O&M costs of \$8.646 million.

The Bigger Picture – Why?

- Consumers Energy faces a capacity shortfall as a result of the future retirement of seven coal units within the Company's generation fleet. These units are B.C. Cobb 4 & 5, J.C. Weadock 7 & 8, and J.R. Whiting 1, 2 & 3.
- Consumers Energy is retiring these units in order to comply with environmental rules promulgated by the EPA, particularly the MATS rule.

Background

- Consumers Energy filed a CON in July 2013 for a new 700 MW natural gas combined cycle plant (Thetford plant) but withdrew the filing on January 30, 2014 as a result of an RFP for acquiring an existing generation asset in lower Michigan.
- This existing generation asset ended up being the Jackson Plant.

Staff's Recommendations and Methodology

- Staff is currently recommending recovery of all capital and O&M costs associated with the Jackson Plant.
- Since the capital required to purchase the plant is less than \$500 million, no CON is required and the purchase was evaluated in a rate case as a capital expense.
- Already established there is a need for additional capacity.
- Staff determined that an NGCC plant was a cost-effective option for providing capacity.
- Staff determined that the capital and O&M costs of the Jackson Plant were reasonable.

Questions?